

# a guide to your tax voucher

This document has been designed to answer your questions about your tax voucher and the information that is contained within it.

This document is based on Skandia's interpretation of law and HM Revenue & Customs practice as at April 2009. We believe this interpretation is correct but cannot guarantee it. Tax relief and the tax treatment of investments may change. Skandia does not accept any liability for any action taken or refrained from being taken on the basis of information contained in this or any related document.

We recommend that this document is used as a **general guide only** and that any specific tax related queries are referred to your financial adviser or your local tax office in the first instance.

## why have I been given a tax voucher?

We issue you with a tax voucher shortly after the end of the tax year if you have held a Skandia MultiFUND and/or a Selestia Collective Investment Account (CIA) during any part of the tax year. If you have received either dividend or interest distributions from an investment in unit trusts and/or Open-Ended Investment Companies (OEICs) within your Skandia account, you will need to report this income to HM Revenue & Customs (HMRC). You will also need to report details of reinvested income arising from accumulation units (see opposite). In addition, any interest on holdings in cash deposit should be reported, as there may be an additional income tax liability, depending on your circumstances.

The tax voucher you have received gives you details of all investment income arising within your account and any tax deducted at source on this income during the preceding tax year. In addition, we will pay interest on cash held in our deposit account, and tax is also deducted from these payments – details of which are provided in your regular statements. All this information must be included in your self assessment return which will need to be submitted to HMRC by 31 October 2009 if you complete a paper return, or by 31 January 2010 if submitting your return online.

For further information, please see [completing your tax return – what you need to tell the taxman](#) which is available at [www.skandia.co.uk](http://www.skandia.co.uk)

## what is capital gains tax?

Capital gains tax (CGT) is a tax on any profit or gain you make when you dispose of or sell an asset. Account transactions which may result in a CGT liability are fund switches or the sale of units. This includes units that are sold to pay charges. Your tax voucher only provides information regarding income distributions. If you have made a capital gain, you should refer to your financial adviser to establish what you need to report to HMRC.

If you have invested in an ISA, you **do not** need to declare any capital gains or income arising from your ISA account on your self assessment return.

## income distributions explained

When you invest into a unit trust or OEIC, you will purchase either 'income' or 'accumulation' units. Income units pay out the income arising on the underlying investments as cash, which you can either take or reinvest back into the fund to purchase additional units. Accumulation units retain income within the fund and the value of this income is reflected in an increase in the unit price. If your tax voucher includes details of distributions arising from accumulation units, you still need to report this as income on your tax return, even though you have not received a cash payment. Depending on the type of underlying investments, income arising from the fund will be in the form of either dividends or interest distributions.

Each fund has its own income distribution dates. Some funds pay annually, others monthly, quarterly or bi-annually. To be eligible to receive a distribution on the payment date, you must be invested in the fund on its ex-dividend or 'XD' date. For example, if the XD date on a fund is 1 January and the payment date is 1 July, you must be invested on 1 January to receive the dividend payment on 1 July.

## tax credits explained

Dividend distributions from UK domiciled funds are paid with a non-refundable 10% tax credit. This will satisfy a basic rate taxpayer's income tax liability in full, and higher rate taxpayers may have an additional tax liability. Interest distributions from UK domiciled funds are paid with 20% tax deducted at source. Again, basic rate taxpayers have no further liability, and higher rate taxpayers may have an additional tax liability. However, non-taxpayers may be able to reclaim the tax credit on interest distributions.

The tax treatment of dividends and interest arising from non-UK domiciled funds may differ from that described above, depending on your individual circumstances. You should contact your financial adviser to determine whether you have a tax liability on any non-UK income.

## equalisation explained

Within a unit trust or OEIC, income is received from the fund's underlying investments over a period of time. It accumulates within the fund until it is paid out to investors on the distribution date either as dividends or interest – see [income distributions explained](#) overleaf.

Units that are purchased part way through a distribution period are therefore only entitled to the income that has accumulated from the date of purchase. However, the same amount of income per unit is paid to all investors, regardless of the length of time they have held their units before the distribution date. In this situation, the income paid for these units is composed of two elements. The income that has accumulated during the distribution period before the units were purchased is known as equalisation; the balance of the payment is income that has built up after the date of purchase.

The equalisation payment is not part of the income distribution. Effectively, it is a return of part of the investor's capital and is therefore not subject to income tax. In addition, because it is a return of capital, for CGT purposes the equalisation payment should be deducted from the cost of the units when calculating any gains. Please refer to your financial adviser if you have any questions regarding equalisation and CGT.

It is important to remember that equalisation is only included in the first distribution received following the purchase of a unit trust or OEIC. All subsequent distributions will be potentially taxable in their entirety.

[www.skandia.co.uk](http://www.skandia.co.uk)

Calls may be monitored and recorded for training purposes and to avoid misunderstandings.

Selestia Investment Solutions investment platform gives you access to an ISA and Collective Investment Account provided by Skandia MultiFUNDS Limited, a Collective Retirement Account and Collective Investment Bond provided by Selestia Life & Pensions Limited and an Offshore Collective Investment Bond distributed by Skandia MultiFUNDS Limited for Old Mutual International (Guernsey) Limited.

Skandia MultiFUNDS Limited and Selestia Life & Pensions Limited are registered in England & Wales under number 1680071 and 4163431 respectively. Registered Office at Skandia House, Portland Terrace, Southampton SO14 7EJ, United Kingdom. Both companies are authorised and regulated by the Financial Services Authority. FSA register numbers 165359 and 207977 respectively. VAT number 386 1301 59.

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