

## What is the LIC capital gain tax deduction?

Most investors are aware that if they make a capital gain on an asset they have owned for more than a year, the profit is discounted by 50% (for individuals) in order to calculate the capital gains tax payable. When Argo makes a discounted capital gain in its portfolio, it can pass through the capital gains tax discount to its shareholders as though the shareholder held the stock themselves.

## Who can claim it?

Most individual and self-managed superannuation fund (SMSF) shareholders are eligible to claim a tax deduction relating to the capital gain component of the Argo dividend, in addition to the benefit of the franking credits. If shares are held by a trust, the trust can pass the benefit of the LIC capital gain deduction to the underlying beneficiary (if they are an individual). Companies are not eligible, except for life insurance companies.

## How much is the LIC capital gain tax deduction?

This year, the final dividend of 16 cents per share included a LIC capital gain component of 4 cents per share. The whole 16 cents is still fully franked, however most individuals and SMSFs will also be able to claim a tax deduction relating to the 4 cents per share capital gain component.

### Example

Final Dividend 30.6.18  
 Shares: 1,993  
 Dividend paid: \$0.16  
 LIC capital gain component: \$0.04

If you received dividend income of \$318.88, the eligible or attributable part of the LIC capital gain dividend is \$113.89. Then, in this example, the 50% tax deduction for the LIC capital gain is \$56.95.

## Where can I find the deductible amount?

Details of how to include the relevant amount in your tax return are shown on your dividend statement. *see image (below)*

### FINAL DIVIDEND

This payment represents the final dividend of 16 cents per share for the year ended 30 June 2018 and is paid on the shares registered in your name and entitled to participate as at the record date of 27 August 2018. The dividend is 100% franked at the corporate tax rate of 30% and includes a listed investment company (LIC) capital gain component of 4 cents per share. Please register at [www.investorcentre.com/au](http://www.investorcentre.com/au) in order to update your TFN, bank account and other details online.

CLASS DESCRIPTION	AMOUNT PER SHARE	NUMBER OF SHARES	FRANKED AMOUNT	UNFRANKED AMOUNT	GROSS PAYMENT
Ordinary	16 cents	1,993	A\$318.88	A\$0.00	A\$318.88
				<b>Net Payment</b>	<b>A\$318.88</b>
				Franking Credit	A\$136.66

### Important tax information:

For income tax purposes, the attributable part of the LIC capital gain dividend is \$113.89.

- If you are an Australian resident when the dividend is paid and an individual, a trust (except a trust that is a complying superannuation entity) or a partnership, you are entitled to a tax deduction of \$56.95 (i.e. 50% of the attributable part) at the "dividend deductions" label of the income tax return for individuals or retirees.
- If you are an Australian resident when the dividend is paid and a complying superannuation entity or a life insurance company receiving this dividend in respect of shares that are virtual PST assets, you are entitled to a tax deduction of \$37.96 (i.e. 33 1/3% of the attributable part).
- If you are any other type of entity, you are not entitled to a tax deduction.

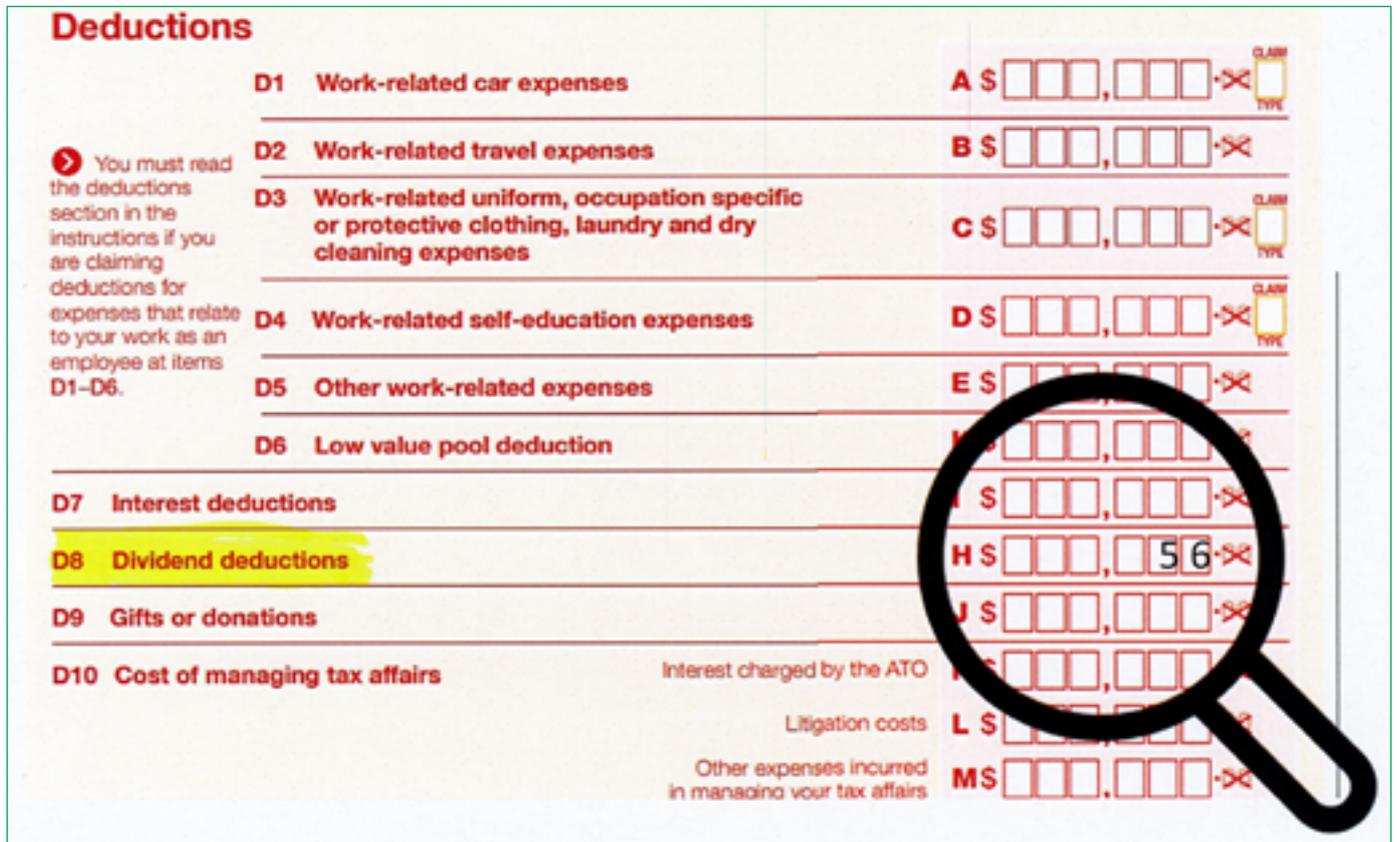
## How do I claim the tax deduction?

### Paper tax return

If you are completing a paper tax return, go to 'Deductions', section D8 'dividend deductions' (individual tax return) or section L1 'other deductions' (SMSF tax return) and enter the tax deductible amount provided on your dividend statement. See image (below)

### Online tax return

If you are completing your tax return online using myTax, the deductible amount will be automatically included in your online form.



**Deductions**

**D1 Work-related car expenses** A S [ ][ ] , [ ][ ]  CLAIM TYPE

**D2 Work-related travel expenses** B S [ ][ ] , [ ][ ]

**D3 Work-related uniform, occupation specific or protective clothing, laundry and dry cleaning expenses** C S [ ][ ] , [ ][ ]  CLAIM TYPE

**D4 Work-related self-education expenses** D S [ ][ ] , [ ][ ]  CLAIM TYPE

**D5 Other work-related expenses** E S [ ][ ] , [ ][ ]

**D6 Low value pool deduction** F S [ ][ ] , [ ][ ]

**D7 Interest deductions** G S [ ][ ] , [ ][ ]

**D8 Dividend deductions** H S [ ][ ] , [ ] 5 6

**D9 Gifts or donations** J S [ ][ ] , [ ][ ]

**D10 Cost of managing tax affairs** Interest charged by the ATO K S [ ][ ] , [ ][ ]

Litigation costs L S [ ][ ] , [ ][ ]

Other expenses incurred in managing your tax affairs MS [ ][ ] . [ ][ ]

You must read the deductions section in the instructions if you are claiming deductions for expenses that relate to your work as an employee at items D1-D6.

## Does this apply to all LICs?

No. Argo is one of only a handful of companies in Australia with the ability to do this because the Australian Tax Office recognises Argo's special status as a genuine, long-term investor, not a trader. This has been established by our track record of investing over many decades since 1946.

## More information

Please contact your accountant or financial adviser for further information. Alternatively, individuals can contact the Australian Taxation Office via the website: [www.ato.gov.au](http://www.ato.gov.au) (search for LIC capital gain deduction) or call 13 28 61.

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