Tax Alert - March 2018

As the new tax year approaches and we await the release of the tax manual to be used together with the new Inland Revenue Act No 24 of 2017, we want to share with our investors the information we do have from the Unit Trust Association, based on its discussions with the Ministry of Finance.

However, please be aware that the final treatment will be known only upon release of the Inland Revenue Manual and may differ from the below.

In summary, after 1 April, 2018:

❖ Each unit trust or fund will become a pass through[1] vehicle

What this means is that the fund will pass its income on to investors who will report it on their own tax returns. If the fund is subject to Withholding Tax (WHT), the WHT will be passed through as a credit. In the case of individuals, this WHT at the fund level is often the final tax.

Investor Type	Individual	Corporate/Institutional
Money Market Fund	Visible impact: Tax Free. The WHT of 5% applicable on corporate fixed income investments applies to the find in the fund and thereafter is considered as having been applied for individual investors in the fund.	28% tax on gains. A certificate indicating the 5% tax paid on the portion of the fund held by the corporate will be issued at the end of the tax year, to be used as a tax credit against the total tax liability of the investor.
Short Term Gilt Fund	Actual impact: Tax Free[1] Although individual investors will be subject to taxation of income at their marginal tax rate on investments in treasury securities they purchase directly, they are tax free when investing in such securities through the fund.	28% tax on gains.
Value Equity Fund	Tax Free. The tax exemption status on capital gains on listed equities applies to the fund and thereafter to investors in the fund. The Dividend tax of 14% applicable to the fund is considered as having been applied for investors.	Tax Free. Identical treatment as individual investors.

[1]To the best of our knowledge, capital gains on sale of fixed income securities including treasury bills and bonds are taxable at 10% capital gains to be paid by the fund and are an exception to the pass through status of the fund as these capital gains would not be passed down to investors via a credit.
However, in the case of JB Vantage, only equity securities are purchased with the intention to make capital gains. All other investments are intended to be held to maturity and capital gains are therefore expected to be low to insignificant.