Tax obligations Investment Funds

If you buy or sell an interest in a managed fund, you will be obliged to file a tax return by 31 October in the following year, outlining the following details such as:

- Name and address of the fund;
- Date interest in the offshore fund was acquired or disposed of;
- Amount of capital invested in acquiring the offshore fund; and
- Name and address of intermediary through whom the material interest was acquired.
- Profit arising on sale

Any gain made on the sale of an interest in a fund or part of the interest, will be subject to tax currently at a rate of 41%. (PRSI may also apply in certain circumstances). This is the rate in force as at 31 October 2014.

Gains generated within the fund which are not distributed to the investors are taxed on a gross roll up basis. This means that the fund can grow tax free until they are sold by the investors or for 8 years, whichever is shorter.

KBC Bank Ireland PLC are not responsible for making deductions on any individual's behalf. Customers are responsible for reporting the purchase and sale of funds and must do two things:

1. Customers (inc PAYE) who buy an investment in an offshore fund automatically fall into the 'self-assessment' tax category. As a result, they need to make a tax return for the tax year in question reporting the fund purchase.

2. Customers must declare and pay any tax liability, in relation to a profit made on their investment, by submitting their tax returns and payment to the Revenue on or before the 31st of October the year after the year they sold and made a profit on their investments.

For example: If you sell a fund in March 2014 and make a gain, you should submit this as part of your 2014 tax return on, or before the 31st of October 2015.

How to complete a tax return

The acquisition of an investment in an offshore fund will trigger an obligation to file an income tax return as the individual will be brought within the self-assessment system. This is the case even where the individual has previously only been subject to the PAYE system.

Example: You invested €2,000 in X fund on 31 July 2013; you need to disclose this acquisition in your income tax return for 2013, which is due to be filed on or before 31 October 2014.

Step 1: Download the Form 11 for 2013* from Revenue's website.

Step 2: Complete Section 319 "Offshore Funds" sub-sections G – J, providing the following information:

g) Name and Address of Offshore Fund
h) Date of acquisition
i) Amount of capital invested in acquiring the fund (i.e. the amount invested less fees)

j) The name and address of the intermediary (i.e. KBC Bank Ireland PLC)

Example: You invest €2,000 in X fund on 30 April 2013 and sell your investment on 30 November 2013, making a profit of €100. In addition to the details above, you would also need to provide details of the gain and make a payment of tax on the gain.

Step 1: Download the Form 11 for 2013 from Revenue's website.

Step 2: Complete Section 319 "Offshore Funds" sub-sections G – J, providing the following information:

e) Gain Taxable – in the above example €100
g) Name and Address of Offshore Fund
h) Date of acquisition
i) Amount of capital invested in acquiring the fund (i.e. the amount invested less fees)
j) The name and address of the intermediary (i.e. KBC Bank Ireland PLC)

*Please note that the income tax return is updated on an annual basis, therefore, the return for the relevant year should be downloaded. The sections referenced above are based on the 2013 return, and are subject to change.

Frequently Asked Questions

1. *<u>What are my tax obligations as an investor in a KBC Fund?</u>*

If you buy or sell an interest in a managed fund, you will automatically fall within the self-assessment system and you will be obliged to file a tax return and where a gain arises, you must pay the relevant tax to Revenue.

Any gain made on the sale of an interest in a fund or part of the interest, will be subject to tax currently at a rate of 41%. (PRSI may also apply in certain circumstances)

Gains generated within the fund which are not distributed to the investors are taxed on a gross roll up basis. This means that the fund can grow tax free until they are sold by the investors or for 8 years, whichever is shorter.

KBC Bank Ireland PLC are not responsible for making deductions on any individual's behalf. Customers are responsible for reporting the purchase and sale of funds and must do two things:

1. Customers (inc PAYE) who buy an investment in an offshore fund automatically fall into the 'self-assessment' tax category. As a result, they need to make a tax return for the tax year in question reporting the fund purchase.
2. Customers must declare and pay any tax liability by submitting their tax returns and payment to the Revenue on or before the 31st of October the year after the year they sold and made a profit on their investments.

For example: If you sell a fund in March 2014 and make a gain, you should submit this as part of your 2014 tax return on, or before the 31st of October 2015.

2. *<u>What is my tax obligation if I invest in the same fund with KBC on a number of different dates?</u>*

The investments on each individual date are deemed to be separate assets for tax purposes. Profit (or losses) will be calculated using the 'First In First Out' method (FIFO). The cost price (or part of) of your first investment will be deductible against the proceeds of your first sale, and so on.

In the case of offshore funds, investors will pay tax at 41%* from the 1st of January 2014 provided they have included the correct details with their tax return and submitted it to Revenue by the 31st of October following the year in which the gain was made. Standard tax credits and reliefs may be available, depending on personal circumstances.

Investors cannot offset losses incurred in one fund against the gains made in another. It is also worth nothing, if an investor has made a loss on the sale of a fund, there is no tax relief available for that loss.

*PRSI may also apply depending on your circumstances

3. *<u>Can I opt to be taxed at source?</u>*

No, unfortunately, KBC as fund administrators are not allowed to deduct and pay over tax liabilities to Revenue on behalf of the investors. Under current Irish legislation, investors much individually self-assess their tax liabilities and submit a tax return.

4. *<u>What are my preliminary tax obligations?</u>*

In addition to the obligation to make a tax return, the self-assessment system also requires individuals to account for preliminary tax on non-PAYE income. To avoid interest charges, the preliminary tax due for the tax year 2014 must be paid by the 31st of October 2014.

The tax paid must represent 90% of the individual's final liability for 2014 or 100% of their liability for the previous tax year, 2013.

Alternatively, for the 2014 tax year:

A taxpayer can elect to make a preliminary tax payment equal to 105% of the liability for 2011 (except where the liability was nil). The tax is payable in equal monthly instalments (3 in the first year and 8 in subsequent years), the final instalment of which is due in December 2014 and the balance of tax due for 2014 must be paid by the 31st of October 2015.

5. *<u>Do I pay tax if I sell out of one fund and buy another fund?</u>*

If you sell your interest in one fund and purchase another fund, you are liable for tax on any increase in value from the sale of funds. Each sale will have a separate tax consideration.

There is an exception to the above, where a fund is broken into a number of sub-funds. Where an investor exchanges an interest in one sub fund for an interest in another sub fund, this will not trigger a tax liability. When your interest is ultimately sold, your investment in the original sub-fund will be your base cost for tax purposes.

For example – You invest €1,000 in sub-fund A on 1 May 2013, on 1 February 2014 you exchange your interest in sub-fund A, now worth €1,100 for an equivalent interest in sub-fund B, you will not be subject to tax on the gain of €100. On 1 November 2014 you sell you interest in sub-fund B for €1,200, you will subject to tax on the gain of €200.

6. *What are my tax obligations if I hold an interest in a fund for more than 8 years?*

If you buy an interest in a fund and continue to hold that interest 8 years later, you are required by law to pay tax on the deemed profit, on the 8th anniversary. There is no need to sell your investment. You can simply work out the gain that would arise if you were to sell the fund on that date, calculate the tax payable on that gain on the given date and make the payment to the Revenue. If you continued to hold your investment, you would be required to complete the same process another 8 years later.

If the investment has not increased in value or has decreased, no tax will be due and there will be no action required on your part.

If there are gains and tax is due, whatever you pay is available for credit against the tax liability when the investment is ultimately sold. It is important to keep this in mind as it is the individual investor's responsibility to make any necessary returns to Revenue.

7. *What reliefs are available to be offset against my tax liability?*

Standard tax credits and relief, which will vary between individuals, can be offset against the tax liability arising on the sale of offshore funds. There are no specific credits or reliefs available for offset against a liability arising on off shore funds.

8. *What is the difference in tax treatment between these KBC funds and other Irish Funds?*

The KBC Funds are sold as Undertakings for Collective Investments in Transferable Securities (UCITS) or SICAVs, a UCITS set up in Belgium.

A UCITS is a type of fund structure that is sold within the European Union. For these funds, investors are obliged to self-assess for Irish tax in respect of any profit made on sale or on the 8th anniversary of the investment.

Irish UCITS are usually taxed at source. That means the fund administrator collects and pays over any tax liability to the Revenue on behalf of the investor.

There are however, a number of exceptions to the rule and one of these is where the funds are held in a recognised clearing system. In a clearing system the details of the underlying investor (customer) are not available to the administrators for the purpose of making tax deductions at source. As a result, the investor must again self-assess themselves for Irish tax in respect of any increase in value on the investment at sale or on the 8th anniversary as described above.

Tax Aid

Warning

The information contained in this brochure (website) is intended to provide you with information which may assist preparing your tax return and in calculating any tax liability which may arise from the acquisition or disposal of an interest in off shore funds, and is not intended to be tax advice. Under Irish legislation it is the responsibility of each individual to ensure that a correct and complete return is filed with the Revenue Commissioners and the obligation falls with the individual to calculate and pay the correct tax liability. Where any uncertainty exists regarding your tax position, independent tax advice should be sought. KBC Bank Ireland plc does not accept any responsibility for interest and penalties arising as a result of incorrect or incomplete returns being submitted. This information is based on legislation in effect, in Ireland as at 31 October 2014.