

November 2016

QUESTIONS & ANSWERS

RECENT CHANGES TO SAVINGS AND INVESTMENTS TAX – GROSS PAYMENTS AND REMOVAL OF ‘NET’ FROM SHARE CLASS NAMES

This document aims to answer any further questions you may have regarding the impact of changes to savings and investments tax and should be read in conjunction with our *Recent changes to savings and Investments tax – gross payments* flyer, which can be found at columbiathreadneedle.com/grosspayments.

1. RECENT CHANGES TO SAVINGS AND INVESTMENTS TAX – GROSS PAYMENTS

Q: What is changing?

In the March 2015 and 2016 Budget announcements, the UK Government introduced changes to the way savings and investments are taxed in the UK. Consequently:

- All payments from Equity Funds have been paid gross of UK tax since 6 April 2016
- All payments from Bond Funds will be paid gross of UK tax from 6 April 2017

Q: Which funds are affected by the taxation changes?

The taxation changes apply to all Equity Funds and Bond Funds within the Threadneedle UK regulated fund ranges. Our Luxembourg SICAV fund range is unaffected.

Q: What is an Equity Fund and what is a Bond Fund?

An Equity Fund is an investment fund that invests principally in shares of listed companies and which pays income to investors as dividend distributions.

A Bond Fund is an investment fund that invests at least 60% in interest bearing assets and which pays income to investors as interest distributions.

Q: What about multi-asset / mixed investment funds?

Funds that pay dividend distributions are classified as Equity Funds, and those that pay interest distributions are classified as Bond Funds. This applies to multi asset funds too – if you are in any doubt about the nature of the income you receive, you can find details on the latest tax voucher we sent you.

Q: What about property funds?

Income from our property fund, the Threadneedle UK Property Authorised Investment Fund (Threadneedle PAIF) is split into three separate streams for UK tax purposes: *Property income*, *Interest income*, and *Other (dividend) income*.

While dividend income and subsequently interest income will be paid gross, property income will remain subject to UK income tax withholding at 20% after 6 April 2017.

If you are invested in the Threadneedle UK Property Authorised Trust (Feeder Fund), which invests only in the Threadneedle PAIF, this is treated as an Equity Fund for tax purposes and therefore dividend distributions are paid gross of tax.

Q. Will the change increase the level of income distribution I receive?

Investors in Bond Funds will receive a higher level of income distribution, as we will no longer be obligated to deduct 20% income tax from interest distributions before they are paid. From 6 April 2016, you may be liable to pay interest income tax on any gross interest income, including gross interest distributions, you receive over the Personal Savings Allowance (PSA) of £1,000 (basic rate taxpayers) and £500 (higher rate taxpayers). There is no allowance for additional rate taxpayers.

For Equity Funds, the 10% dividend tax credit was abolished on 6 April 2016 and replaced by a new tax free Dividend Allowance for the first £5,000 of dividend income per year. Consequently, all income from dividend distributions is now regarded as gross income. This means that you may be liable to pay dividend income tax on any gross dividend income you receive over the sum of £5,000 per annum

The removal of the 10% dividend tax credit has no impact on the level of dividend distribution received by investors in Equity Funds.

Q: Do I qualify to reclaim tax?

Basic and higher rate taxpayers may be able to reclaim income tax deducted from Bond Fund interest distributions for the period 6 April 2016 to 5 April 2017 (between the introduction of the new PSA and the effective date of gross payments – within the limits of their PSA – from HMRC.

Details of any income tax deducted from your Bond Fund investments over this period will be found on the relevant tax voucher sent to you.

Tax treatment depends on your individual circumstances. If you are unsure about how these changes affect you, speak with your tax adviser or refer to HM Revenue & Customs at www.gov.uk/hmrc

Q: What is the impact on investors outside the UK?

If you are an investor outside of the UK invested in a net share class, you will receive payments gross of tax from 6 April 2017.

Q: Do I need to take any action?

You do not need to take any action regarding the payment of gross income from your investments as this will happen automatically.

Basic and higher rate taxpayers may be able to reclaim any UK income tax deducted from Bond Fund distributions between 6 April 2016 and 5 April 2017 from HMRC. Details of any tax deducted by Columbia Threadneedle Investments over this period will be shown on your tax voucher.

Q: When will I receive my tax voucher?

Investors that invest through an Individual Savings Account will receive an annual consolidated tax voucher in June/July 2017. All other investors will receive their tax voucher with their income distribution confirmation.

SECTION 2. REMOVAL OF 'NET' FROM SHARE CLASS NAMES

Q: Why are the share class names changing?

As a result of the taxation changes mentioned, we consider it appropriate to remove references to 'net' in our share class names as distributions will no longer be paid net of tax.

We intend to implement this change in February 2017, although Bond Fund distributions will continue to be paid net until 5 April 2017.

This change will be applied across our UK authorised fund range, , with the exception of the Threadneedle PAIF which will retain references to 'net' and 'gross' in the names of its share classes.

Q: Does the name change the way the funds are managed?

No, there will be no change to the way the funds are managed.

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