

Capital gains reports – enhanced acquisition costs functionality

Making calculations quick and easy

For fund holdings re-registered to our platform, we are unable to provide automatic indicative capital gains information, because we do not hold a complete record of all transactions related to that fund. Similarly, we are unable to provide automatic, indicative capital gains information where holdings have been transferred in-specie (stock transferred) within our platform. This is because assets transfer with differing tax connotations and at different tax values depending upon the nature of the transaction and the parties concerned, details of which can only be understood by the parties concerned. Our newly-launched enhanced acquisition costs functionality, now allows users to manually enter a 'starting acquisition cost' from which capital gains calculations will then be built and duly reported.

Enhanced acquisition costs functionality – the ability for users to manually enter acquisition costs

For relevant fund holdings that have been re-registered to our platform, or stock transferred between different separate accounts within our platform, users can now manually enter the relevant Capital Gains Tax (CGT) acquisition cost of the investment. Details of how this operates and the figures that should be input are given below. It is important to understand for re-registered holdings that we can neither undertake calculation of any relevant figures to be input nor provide an opinion or confirmation of tax values or circumstances. For stock transferred holdings between separate accounts on our platform we can provide indicative costs but we cannot tell you whether either of these is the correct treatment for any given case. The nature of the input facility is to allow the user to make the appropriate determination and use the facility to input the relevant acquisition cost. Once the relevant acquisition cost has been entered, the reports will generate the appropriate capital gains figures for later transactions, based around the input figure. In essence, this means that the capital gains reports will include, as appropriate, relevant fund holding transactions FROM (but not before):

- the date of re-registration onto our platform onward for re-registered holdings
- OR
- the date of receipt of the holding into the transferee account for internal stock transferred holdings

The acquisition cost entered must be the correct required relevant acquisition cost for capital gains purposes, according to the type of input (further details are given below), otherwise the calculations produced within the capital gains reports will not be correct. Users must not enter figures unless they are known to be the correct capital gains acquisition cost, as entering inaccurate acquisition costs will produce inaccurate capital gains figures, which must not be used and must be ignored. Any capital gains figures we produce, where the acquisition cost has been manually entered, will be based on the figure entered by the user, coupled with the transaction history in our records from the appropriate start time as indicated above.

Stock transferred individual fund holdings

For stock transferred holdings you will need to calculate and enter the relevant capital gains acquisition cost for the recipient, for the relevant holding, at the point of receipt into the transferee account.

Fundamentally, this will depend on the nature of, and the parties to, the transfer transaction. There are various possibilities which can apply. For example; amongst others, the acquisition cost for the transferee might be:

- the market value of the investment on the date of transfer (e.g. a gift of an investment)
- the price or value paid for the investment (e.g. sale of investments to an unconnected party)
- the market value of the investment at the date of death of a previous owner (e.g. transfer of an unwrapped unit trust/oeic investment held by a deceased investor to a beneficiary)
- the investments might be acquired at the capital gains acquisition value applicable to the transferor (e.g. transfers between married couples living together on a "no loss/no gain" basis)
- in limited circumstances "holdover relief" may be applicable for certain transfers (e.g. transfers by an individual to certain types of trust)

'Carry-forward' of transferor's acquisition cost to transferee (where applicable)

Please remember, that if the acquisition cost of the investment being acquired by the transferee is to be based on the capital gains acquisition cost of the transferor, this must be the correct capital gains acquisition base cost at the time of transfer. This does not mean the original purchase costs, paid by the transferor, rather it means the adjusted capital gains acquisition cost of the holding, at the point of transfer. For holdings purchased in the past, the original purchase price amount may have been adjusted for capital gains acquisition cost purposes to take account of, amongst other things, equalisation payments, notional distributions, re-invested income payments, partial encashments, same-day or 30-day rule matters, corporate actions, inter-fund switches – all of which can affect ongoing capital gains acquisition costs for the overall holding on an ongoing basis.

N.B. Always obtain a capital gains report for BOTH the transferor and transferee before placing any instruction to transfer

Please ensure that, where it is available, you obtain and produce full unrealised and realised capital gains reports for the transferor's account and the fund holdings in question before you proceed with any stock transfer instructions. This will ensure that you have the capital gains report information applicable to the transferor for the purposes of their capital gains position immediately prior to the transfer. Where applicable, it will also ensure that you have the information required if the acquisition cost applicable to the transferor is to be transferred to the transferee.

Depending on the relationship between the source account and the receiving account, the asset might be deemed to be acquired at

market value, or else might be deemed to be acquired for the same cost the previous owner acquired it for. We can't tell you whether either of these is the correct treatment for any given case.

We can normally calculate the market value of the assets on the date of transfer, and we may also be able to calculate the previous acquisition cost (subject to the usual disclaimers). If we can do this, then these values will be made available on the update screen - but it remains your responsibility to determine if either of these is the correct book cost.

Similarly, please ensure that, where it is available, you obtain and produce full unrealised and realised capital gains reports for the **transferee's account before** you proceed with any stock transfer instructions. This will ensure that you have the capital gains report information applicable to the transferee for the purposes of their capital gains position immediately prior to the transfer. This will be particularly important if the transferee already has a holding in any of the same funds being transferred across from the transferor. You will need this pre-transfer information in order to assimilate the total acquisition cost for the overall holding once the transferor's holding is transferred.

Entering the acquisition cost for the stock transfer transaction for the transferee

You can access 'Update acquisition costs' from the transferee's investment account by opening up the Capital Gains summary or from the 'Reports' page. Click on the option to 'Update acquisition costs' and you will see the relevant transactions for your client. You can enter the acquisition cost for the transferred holdings. View indicative costs if available and select either the acquisition cost or market value as appropriate. Alternatively enter the relevant acquisition cost as calculated by you. The acquisition cost can also be removed or updated. Click 'Submit updates' to update the data for these transactions.

For re-registered holdings you will need to calculate and enter: the relevant capital gains acquisition cost of the fund holding at the point of registration onto the platform (i.e. the section 104 pool value).

This does not mean the original purchase costs, rather it means the adjusted capital gains acquisition cost of the holding, at the point of registration onto our platform. For holdings purchased prior to re-registration, the original purchase price amount may have been adjusted for capital gains acquisition cost purposes to take account of, amongst other things, equalisation payments, notional distributions, re-invested income payments, partial encashments, same-day or 30-day rule matters, corporate actions, inter-fund switches – all of which affect ongoing capital gains acquisition costs for the overall holding on an ongoing basis. You can find out more information associated with calculating acquisition costs and section 104 pool values in our factsheet **"Taxing calculations: Capital Gains Tax – Calculating gains and losses on unit trusts and OEICs"**.

Please also note that the figures our reports will produce will not include any transactions which were caught by the "30-day rule", if there was a purchase (on our platform) that occurred within 30 days after the date of re-registration (effective start date for our capital gains records purposes), where a sell had taken place (within the 30-day period) outside our platform prior to re-registration. If this is applicable, the acquisition cost you enter

should be adjusted accordingly to take this into account.

Entering the acquisition cost for the re-registration fund holding

You can access 'Update acquisition costs' from the transferee's Investment Account by opening up the the 'Capital Gains summary' or from the 'Reports' page. Click on the option to 'Update acquisition costs' and you will see the relevant transactions for your client. You can enter the acquisition cost for the holding. The acquisition cost can also be removed or updated. Click 'Submit updates' to update the data for these transactions.



Important Information

We (Financial Administration Services Limited or the associated companies of the FIL Limited Group of companies as applicable) use all reasonable skill and care in providing capital gains reporting. However, errors or omissions in the reports may occur because of a number of factors, most of them not within our reasonable control. We cannot, therefore, accept any responsibility or liability for the inaccuracy or incompleteness of the information or for losses resulting from the use of our capital gains reporting. The capital gains reports are intended as a prompt to consider whether a more detailed look at capital gains is required. They must not be solely relied upon to support any tax filings. When individuals have tax filing obligations they should retain appropriate records and make their own calculations to support such returns.

The rules concerning the calculation of capital gains can be complex and contain many exceptions and particular treatments for which we cannot allow. Our calculations take account only of the basic rules of calculating gains in the UK and are not intended to produce a definitive statement of an individual's capital gains tax position. Please refer to the additional notes that accompany the calculations for further details.

The information provided within the capital gains reports is only intended to be used with clients who are resident, ordinarily resident and domiciled for UK tax purposes and is not to be regarded as any form of tax advice. We recommend that clients always seek appropriate advice in relation to their tax situation where they are unsure of their tax position.

All information shown within the capital gains reports is based on transactions processed and investment prices at the close of the previous business day (except for investments purchased through our share dealing service which are calculated using intraday market prices), all prices are displayed to two decimal points only. Investment values will appear after deals have been priced and cash values will appear after deals have been instructed. All instructions are placed on a forward-pricing basis, this means that investment values shown within the reports will not necessarily be the amount received when redeeming investments. Further information around our dealing policies can be found in the **Fidelity Client Terms for investors with an adviser or intermediary**.

The information provided is solely based on information which you provided or which we have in our files. The calculations cannot, amongst other things, take into consideration:

- any data, transactions or other information about which we have no complete history
- any investments that a client may also hold outside of a Fidelity account
- any interaction of investments that a client may hold across more than one account with Fidelity

- any recent changes of the relevant UK legislation after the start of the current tax year
- any non-UK legislation relevant to any non-UK assets held in a client's Fidelity account
- any investments that have been moved between accounts either at Fidelity or from external providers to Fidelity
- investments that have undergone a complex transaction such as a corporate action. In many cases we will stop calculating Capital Gains as our report is unable to consider the effect of the corporate action without looking at your clients' personal circumstances
- excess reportable income (ERI) for offshore funds

In the case of joint accounts, only accounts for the primary account holder will be displayed. The secondary account holder capital gains tax reports can be viewed through the secondary account holder accounts. The report will not allocate gains or losses between joint holders so in each case the total gains or loss will be reflected for a joint account asset rather than the portion relevant to a specific account holder.

Important Information relating to offshore funds

Whilst offshore funds may be included within the capital gains reports, excess reportable income will not be included in the calculations.

- **For accumulation funds** this means that ongoing acquisition costs will be underestimated resulting in any gain position being overstated and any loss position being understated
- **For income funds**, whilst calculations will include cash distributions from offshore funds, equalisation information that maybe published by an offshore fund will not be included. This means that ongoing acquisition cost will be overestimated, resulting in any gain position being understated and any loss position being overstated

The Adviser Solutions online terms of business apply:
fidelityadvisersolutions.co.uk/terms-business

