Shares, funds and trusts

Check the tax implications of investing in shares, funds and trusts, and what to include in your tax return.

Exchange traded funds

How to treat buying and selling exchange traded funds (ETFs) for tax purposes and what to include in your tax return.

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How ETFs work

An ETF is a managed fund that lets you buy or sell units on a registered exchange such as the Australian Stock Exchange (ASX).

When you invest in an ETF, you purchase units in a trust that owns investments, rather than owning the assets personally.

Many online trading platforms allow you to purchase ETF units yourself, or you can use a broker or financial adviser to buy units in an ETF.

Example: investing in an ETF

Mary wants to build her investment portfolio to include shares in ASX listed companies and commercial properties. Mary isn't confident she has the time to manage these herself but doesn't want to miss the investment opportunity.

While researching the market, Mary finds Blue ETF, which holds shares of companies she would like to invest in, as well as commercial properties.

By purchasing units in this ETF, Mary receives regular distributions of income earned by Blue's ETF investments without having to manage a portfolio herself.

What types of investments can be held by an ETF

There are many types of assets that can be held by an ETF, including:

- Australian and international shares
- property
- bonds
- precious metals and commodities
- foreign currency
- digital assets; for example, non-fungible tokens and crypto assets
- units in other exchange traded funds.

What to include in your tax return

Find out what you need to declare and what you can claim in your tax return.

What to declare

You need to declare:

- income from your ETF that comes as a distribution
- income from your ETF that you have opted to reinvest into a distribution reinvestment plan – this means you need to declare

distributions even if you haven't received money from the ETF

- any capital gains or losses when you sell or dispose of any ETF units for capital gains tax (CGT) purposes.

What you can claim

You can claim **franking credits** if your ETF invests in companies that have already paid tax in Australia. Any statements you receive will show franking credit amounts.

Where to find information for your tax return

When you use myTax, we pre-fill your tax return with information provided by the ETF.

If the information **isn't** pre-filled, you need your statement from the ETF. Your statement will indicate where to show the amounts in your tax return.

ETFs usually provide an ETF tax statement, also known as a:

- year-end or annual statement
- member statement
- Standard Distribution Statement (SDS), or
- Attribution MIT Member Annual (AMMA) statement.

An ETF tax statement provides the amounts you need to report and shows where to include your income in your tax return. This may include interest, dividends, franking credits and capital gains distributed by the ETF. Most ETFs also provide a guide, in addition to your statement, to help you prepare your tax return.

If you don't receive a statement, you can:

- contact your ETF and ask them to send it to you and any guides
- use your records to include amounts in your tax return.

Most Australian ETFs supply data to pre-fill your tax return. It's important to check this against your SDS or records and include anything that may be missing.

For more information on how to complete your tax return, see:

- myTax 2024 Managed funds
- Personal investors guide to capital gains tax 2024 – Part C: Distributions from managed funds

Income from a foreign ETF

Foreign-owned ETFs generally don't provide a statement. This means you need to use your records to include income from foreign ETFs in your tax return.

When you invest in overseas ETFs, consider distributed income as **foreign income** and report it under 'Foreign income' in your tax return.

Foreign income may be subject to withholding tax. This varies depending on the country the ETF originates from and the tax agreements with Australia.

You may be able to claim a foreign income tax offset (FITO) for any tax withheld. If this applies to you, see **Claiming a foreign income tax offset**.

Distribution reinvestment plans

Sometimes ETFs offer an option to reinvest your distributions through a distribution reinvestment plan (DRP). This means, instead of receiving a cash distribution, the ETF uses the distribution amounts to buy extra units on your behalf.

As ETFs fall under trust income rules, a distribution is assessable in the financial year it relates to, **not** the financial year it was paid to you. Your statement will show the year the distribution relates to and the year it is assessable.

Any units you receive from a DRP are subject to CGT when sold or disposed of. Include the distribution amounts as part of the cost base when calculating your capital gain or loss.

Selling or disposing of ETF units

When you invest in an ETF, the units are subject to CGT when you sell or dispose of them. This is when you need to calculate CGT and report the capital gain or loss in your tax return.

Disposals can include:

- selling
- giving them away (gifting)
- transferring them to a spouse because of a breakdown in your marriage or relationship
- buy-backs, mergers, takeovers and demergers
- where an ETF goes into liquidation.

Calculating CGT on ETF unit disposals

Before calculating CGT on the disposal of ETF units, you must:

- convert amounts into Australian dollars (if it's a foreign ETF)
- **work out your cost base** – when ETF units are purchased at different times, you need to **identify the units you sold** and know when you acquired them, as it will affect your cost base
- **calculate your CGT** – you can use our online calculator or calculate it yourself.

It's important to include any **capital losses** in your tax return. Losses can be used to reduce current or future capital gains.

Keep good records

Generally, you need to keep records of investments for 5 years after we process your tax return. The fund or your broker will give you most of the records you need. Most ETF issuers provide a guide to your tax statement to help you prepare your tax return.

You need to keep records relating to your units (some ETFs may supply a statement that shows this) showing:

- the date and price of purchase or reinvestment
- the date of sale and sale price (if you sell them)
- brokerage costs or commissions paid to brokers when you buy or sell
- other expenses you incurred to purchase them, such as loan interest
- the date and amounts of any distributions you received

- details of any non-assessable payments to you
- details of other **CGT events** such as unit splits, unit consolidations, returns of capital, takeovers, mergers, demergers and bonus unit issues
- details of capital losses made in previous years – you may be able to offset these losses against future capital gains.

For more information on records to keep, see **Keeping good investment records**.

QC 103162

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.