

# Taxation of Financial Arrangement

From 1 July 2010, the Taxation of Financial Arrangement (TOFA) provisions applied on a mandatory basis to qualifying taxpayers in respect of certain financial arrangements. Broadly, the TOFA provisions recognise gains and losses on financial arrangements on revenue account and, in respect of certain financial arrangements, requires those gains and losses to be recognised for tax purposes on a compounding accruals basis. This may result in a taxing point prior to the realisation of the investment.

Due to the implementation of the TOFA regime, there may be some instances where an investor's share of the taxable income of the fund in which they are invested exceeds the cash distribution that they may receive from that fund.

Investors should seek their own tax advice regarding the implications of the TOFA regime in respect of their investments in Challenger funds.