A Tax Guide to the SVS Heritage Balanced Portfolio Fund

Please note that the guidance below is based on our current interpretation of tax law and HM Revenue & Customs practice. At Heritage, we do not provide tax or legal advice. We recommend that you use our interpretation below as a general guide only and that tax queries are referred to your tax adviser.

Accumulation Shares

Accumulation shares retain income within the Fund and the value of this income is reflected in an increase in the share price. In relation to tax, you need to report this income as dividend income on your tax return, even though you have not received a cash payment. For capital gains tax purposes, when calculating gains or losses, this notional dividend income should be added to the cost of your shares as it is effectively reinvested.

Income Shares

Income shares pay out the income arising on the underlying investments as a cash dividend, which you can either take or reinvest in the fund to purchase additional shares. In relation to tax, you will need to report this income as dividend income on your tax return. For capital gains tax purposes, when calculating any gains or losses, if you instructed us to pay the cash dividend income to you then there is no impact, but if you instructed us to reinvest the cash dividend income received then you will need to add the total amount reinvested to the cost of your shares.

Dividends

Notional and cash dividend income received from the SVS Heritage Balanced Portfolio Fund is paid gross, i.e. without deducting any income tax. The Fund makes notional or cash dividend distributions twice a year to shareholders registered at the ends of June and December.

Equalisation

As the SVS Heritage Balanced Portfolio Fund is a UK OEIC, income is received from the Fund's underlying investments. This income accumulates within the Fund until it is distributed to investors on the distribution date as a notional or cash dividend.

Shares that are purchased part way through a notional or cash dividend distribution period are entitled only to the income that has accumulated from the date of purchase. However, the same amount is paid per share to all investors who held shares on the ex-dividend date, regardless of the length of time they have held their shares before the distribution date. The notional or cash dividend distribution in this scenario is made up of two parts:

1. The income that has accumulated during the notional or cash dividend distribution period before the shares were purchased, which is known as equalisation; and

2. The balance of the payment, which is income that has accumulated after the date of purchase.

The equalisation payment is not considered to be part of the notional or cash dividend distribution. Effectively, it is a return of part of the investor's capital and therefore for income tax purposes you should disregard it, but for capital gains tax purposes it should be deducted from the cost of your shares when calculating any gains or losses.

Equalisation is included only in the first notional or cash dividend distribution following the purchase of shares and all subsequent notional dividends credited for those shares will potentially be taxable in their entirety as dividend income.

When an investor sells shares part way through a notional or cash dividend distribution period, they are entitled only to the income that has accumulated up to the date of sale. The sales proceeds in this scenario will be made up of two parts:

1. The income that has accumulated during the notional or cash dividend distribution period before the shares were sold, which is treated as dividend income for tax purposes; and

2. The balance of the payment, which represents the proceeds of sale for the purposes of calculating capital gains or losses.