Questions and Answers
Regarding the “Schedule of Taxable Amounts”

Why does Vanguard provide the “Schedule of Taxable Amounts”? 

Vanguard provides this schedule to assist you to calculate your taxable amount in respect of your investments in our Irish-domiciled funds. You should generally report on your tax return both the amounts these funds distributed to you and your proportionate shares of any additional amounts they earned but did not distribute during the year (”excess of reportable income over distributions”).

Where can I find more information about taxes owed with respect to Vanguard’s Irish-domiciled funds?

Under HMRC’s “reporting funds” regime, you pay tax each year on your share of an offshore fund’s reportable income, whether in a distributing share class or an accumulating share class and irrespective of distributions made.

Why doesn’t the schedule include Vanguard’s UK-domiciled funds?

The “reporting funds” regime applies only to funds domiciled outside the UK. This regime generally aims to make your tax costs in respect of an investment in an offshore fund comparable to those you would incur by investing in a corresponding UK-domiciled fund.

What if I did not hold my fund shares for the entire year?

For shares you held from 24 May 2012 through 30 June 2012, please multiply the number of such shares held by the relevant fund’s “Total reportable income per share” number on the schedule.

For shares you held for only a portion of 2012, please consult your tax adviser to determine what taxable amounts to report with respect to such shares. While you should discuss your particular circumstances with your advisor, your taxable amount for such shares will generally be equal to any distributions received during your holding period for such shares plus, to the extent you held such shares at 30 June, any excess amount per share shown on the schedule.

The disposal of a UK investor’s interest in an offshore fund will be treated as a disposal of an asset for the purposes of tax on chargeable gains.

Am I entitled to a dividend tax credit in respect of income distributed or reported to me?

If you are UK resident for tax purposes, you may be entitled to a dividend tax credit in respect of any distributions paid to you and any additional income reported to you under the reporting funds regime. The tax credit is equal to 1/9th of the net distribution or reported amount and UK individual investors will be subject to income tax at the dividend rate on the aggregate of the distribution and the tax credit. A tax credit will generally be available unless the relevant fund invests more than 60% of the total market value of its assets in debt instruments and similar securities.
Where can I find more information regarding UK taxation?

Please consult the prospectus and UK country supplement on www.vanguard.co.uk for more information. For additional information, you may want to review the “Reporting funds” section of HMRC’s Offshore Funds Manual, available at www.hmrc.gov.uk/offshorefunds/offshore-funds-manual.pdf

The foregoing is based on the Vanguard's understanding of the law and practice currently in force in the United Kingdom and is subject to changes therein. It should not be taken as constituting legal or tax advice and, investors should obtain information and, if necessary, should consult their professional advisers on the possible tax or other consequences of buying, holding, transferring or selling the shares under the laws of their countries of origin, citizenship, residence or domicile.