

# Manulife Investments Mutual Funds Tax Season FAQ

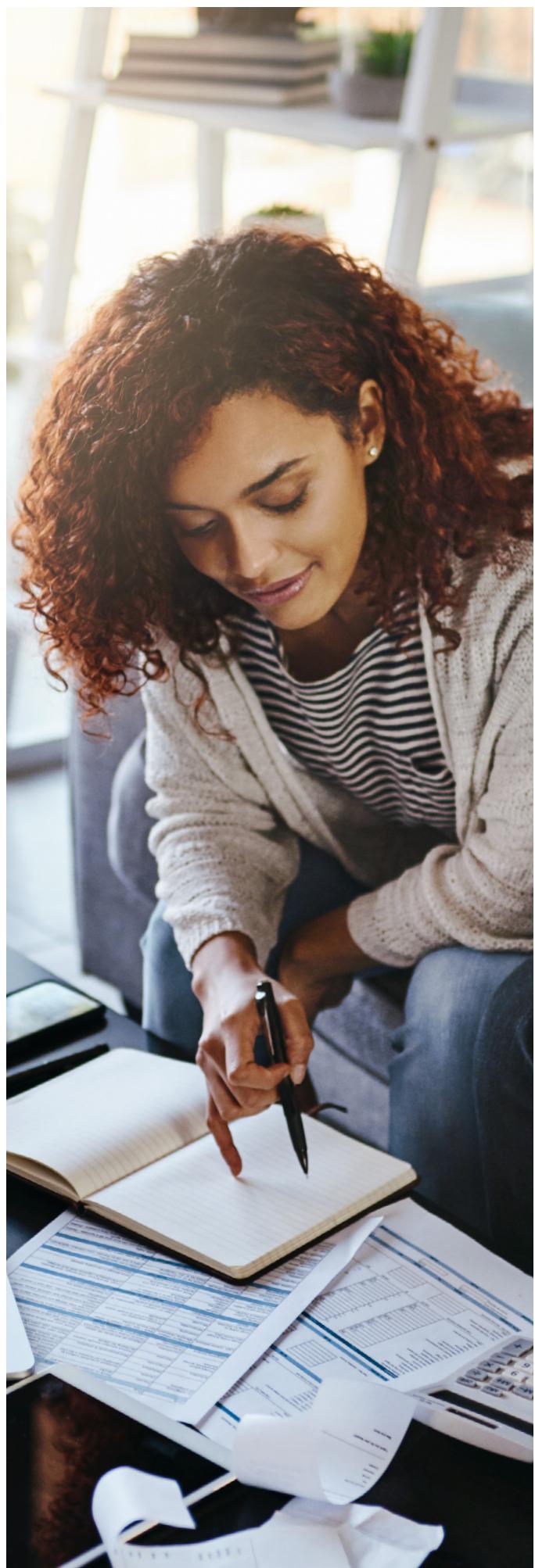
## **In this issue:**

- ④ Accessing tax slips online
- ④ General tax questions
- ④ Non-registered plan tax questions
- ④ Registered tax questions
- ④ Taxation comparison: Mutual funds and exchange traded funds

## **Manulife Mutual Funds Customer Service**

Toll free: 1-888-588-7999

Email: [manulifemutualfunds@manulife.com](mailto:manulifemutualfunds@manulife.com)



# Accessing tax slips online

## **When will my client's tax documents be available for me to download?**

This information is available on the [Manulife Investments](#) site.

## **How do I set up my Manulife Advisor Portal Access?**

If you do not currently have an Advisor Manulife ID, use the link below and follow the instructions to set up your access: [Login with Advisor Manulife ID](#). You can also use this “how to” guide as a resource: [Registering for Advisor Portal](#).

## **How do I reset my Manulife Advisor Portal log-in credentials?**

[Click](#) here to reset your username. [Click](#) here to reset your password. For further support with obtaining your log-in credentials, contact us: 1-800-667-4266

## **How do I access my client's tax documents online?**

You can access your client's tax documents online using our eDocs tool which you can access through the Manulife Advisor Portal. You can use this “how to” guide to learn how to access documents on eDocs: [How to access duplicate statements, confirmations & tax slips in eDocs](#)\*

## **How many tax documents can I download at one time?**

You can download up to 100 documents in ZIP file batches using our eDocs tool.

## **Can I download copies of my client's tax documents on MyServ?**

Manulife Mutual Funds does not store any tax documents on MyServ. You can request duplicate copies of your client's tax documents to be mailed to them directly through MyServ.

## **How can I get my assistant's access to view/download tax documents from eDocs?**

The advisor can delegate access to their assistant(s) on Advisor Portal so that they are able to access the documentation in the same manner that they can. The assistant will be able to see all the documentation that the advisor can see. Please ensure that all the applicable advisor codes are set up under your credentials.

You can use this “how to” guide to support you in delegating access to your Assistant(s): [Setting up delegate access in Advisor Portal](#)\*

\*Advisor Portal login required to access document.

# General tax

## **Which switches are considered taxable, and which are non-taxable?**

Switching between funds is a taxable event. Switching between classes in the same fund is not a taxable event.

## **Does specified foreign property held in a Canadian mutual fund trust have to be reported on Form T1135?**

A Canadian mutual fund trust (as defined in the Income Tax Act) is excluded from the definition of specified Canadian entity, so it does not have to file Form T1 135. Also, the investor does not have to report their investment in a Canadian mutual fund trust because it is not a specified foreign property. The same applies to Canadian mutual fund corporations (as defined in the Income Tax Act).

## **What is a distribution?**

A mutual fund distribution represents the earnings of a fund being passed on to the investor or unitholder of the fund.

## **How often are distributions made?**

The frequency varies by the specific fund—distributions can be paid monthly, quarterly, or annually.

## **Distribution estimates: Where can distribution estimates be viewed?**

Mutual fund distribution estimates are posted on our Manulife Investments site. See link: [Manulife Investments/Distributions](#).

## **Why do mutual funds make distributions?**

Distributing the income earned by the mutual fund helps reduce taxes incurred by the fund. If it didn't distribute income to unitholders, that income would be subject to tax at a rate equivalent to the highest personal tax rate within the fund. By making distributions to unitholders, who will typically be taxed at a lower marginal rate than the fund, less tax is paid, which in turn should mean higher returns for unitholders.

## **How are distributions calculated?**

Distributions are allocated to unitholders in proportion to the number of units they hold on a specific date, known as the record date. For example, if you held 100 mutual fund units on the record date and the distribution was \$0.50 per unit, you would receive a taxable distribution of \$50.

# General tax

## **Are distributions made for a set amount?**

While some mutual funds have a target or fixed distribution, the sustainability of the fixed distribution is based on market performance. As a result, a fund may change the distribution amount without notice.

Mutual funds might still pay out a distribution even if the fund's value has fallen. A fund distribution in a down market is like owning a rental property. Even if the value of the property is going down, the tenants will still be paying you rent. Similarly, unitholders can receive distributions of interest, dividends, and foreign income earned by the fund even if its value has dropped.

## **What happens if the fund posts a negative annual return?**

Furthermore, any net capital gains that the fund earns are distributed to unitholders at the end of the year, regardless of whether the value of the fund has gone up or down. For example, the fund managers might decide to sell a share they bought several years ago that's now trading for many times the price they paid for it, which could generate considerable capital gain even though the fund's value is down for the year.

At the same time, the fund managers might choose to hold securities that are currently valued at far less than they paid for because they believe the prices of these securities will ultimately recover and prove profitable. Since the loss wasn't realized, these assets could have a significant impact on the value of the fund.

The combination of these two factors results in a negative annual return and a taxable distribution.

## **What types of distributions can I expect?**

A mutual fund can generate and distribute various types of income. Review the chart below for a quick overview of those income types.

Type of distribution	Description
<b>Interest</b>	Funds earning interest from bonds or cash investments distribute this interest. Interest income is generally taxed at the investor's marginal tax rate, which is higher than the rate for capital gains.
<b>Dividends</b>	When a mutual fund receives dividend income from its investments, it can distribute these dividends to investors. For tax purposes, these are treated in a way that's similar to dividends received directly from owning shares.
<b>Capital gains</b>	If a mutual fund sells investments at a profit, it may distribute these capital gains to its investors. These gains are taxed favorably compared with other forms of income.
<b>Foreign non-business income</b>	Foreign non-business income consists of income such as dividends and interest from foreign investments held by the fund.
<b>Return of capital (ROC)</b>	This occurs when part of the investor's original investment amount is paid back to the investor by the fund. It typically occurs when the fund's objective is to generate a fixed monthly or quarter distribution.

# Non-registered plan tax

**I'm being asked to provide the country of origin for the foreign income reported on the T3 slip. What country did my foreign income originate from?**

**Do we report income distributions made from a U.S. denoted fund?**

**My client recently moved back to Canada, why did they get an NR4? Can you cancel it and issue a T3/TS?**

**Why did I not receive a TS on my Manulife Investments Product (MIP) account?**

**Non-registered accounts: Which transactions trigger the issuance of a tax slip for non-registered accounts? When do TS and T3 get issued?**

**We have a joint account, who can use the TS/T3?**

**For an In Trust For (ITF) account, can we use the ITF beneficiary's SIN, if so, how can we change it going forward?**

Many of our mutual funds generate income from foreign investments, in most cases from multiple countries. All fund's geographic allocation of foreign investments can be found in the "Fund Profile" document which are published on our site. [Search | Manulife Investments](#)

Yes

If the investor resides outside of Canada at the time an income distribution is made, that income distribution will be subject to non-resident tax withholding. The NR4 is issued to reflect the income distributions paid while the investor was residing outside of Canada. A T3 or T5 will be issued reporting all income distributions paid while the investor was a resident of Canada.

T5's issued for the MIP management code are subject to a \$50 reporting threshold.

For our mutual fund trusts, a T3 will be issued reporting total income distributions paid in that calendar year. For our mutual fund corporations (MIX), a T5 will be issued reporting total income distributions in that calendar year. For all non-registered products under the Manulife Investments Products (MIP) code, a T5 will be generated reporting total interest earned in that calendar year. For this product and income type, there is a \$50 reporting threshold which means Manulife will not be issuing T5's where interest amounts are less than \$50.

To ensure CRA attribution rules are applied accurately, we recommend consulting with your accountant or tax preparer.

To ensure CRA attribution rules are applied accurately, we recommend consulting with your accountant or tax preparer.

# Registered plan tax

## **What does 60(L) represent on a contribution receipt?**

60(L) references a provision in the Income Tax Act that allows the transfer of funds from one registered plan to another on a tax deferred basis. This is typically referenced on RRSP contribution receipts and tax slips (T4RSP and T4RIF) when the annuitant has passed away, and their spouse has met all requirements/conditions to transfer proceeds under section 60(L).

## **What does 60(J) represent on a contribution receipt?**

60(J) references a provision in the Income Tax Act that allows for all or part of a retiring allowance/severance paid to be directly transferred to an RPP or RRSP on a tax deferred basis. This is typically a footnote added to an RRSP contribution receipt disclosing this type of transfer.

## **For RESP, who will receive the T4A tax slip on an Educational Assistance Payment (EAP) redemption?**

Educational Assistance Payments (EAP) can only be made to the names RESP beneficiary (student). The T4A slip will be issued to the beneficiary, reporting the EAP made for that calendar year.

## **Who is responsible for providing tax slips on RRSP contributions for Nominee or Intermediary Accounts?**

For all Nominee/Intermediary RRSP accounts, the contribution receipts would be issued by the Nominee/Intermediary. Manulife Mutual Funds is responsible for the issuance of RRSP contribution receipts on client name accounts only.



# Taxation comparision: Mutual funds and exchange-trade funds

## Dividends and distributions

### **Mutual fund corporation | Mutual corporate class | Dividends**

Interest and foreign income in excess of expenses are taxed within the mutual fund corporation (the “Corporation”). Any after-tax earnings are generally retained in the Corporation. Canadian dividend income and capital gains will normally be flowed through to shareholders as ordinary and capital gains dividends, respectively.

The Corporation does not distribute capital losses. Capital losses realized by a class are netted against capital gains realized by other classes in the Corporation. Any net capital loss is then carried forward to offset capital gains in future years. Any net capital gains

are reduced by an approximate amount of capital gains realized on redeemed shares before they get distributed to the remaining shareholders of the Corporation.

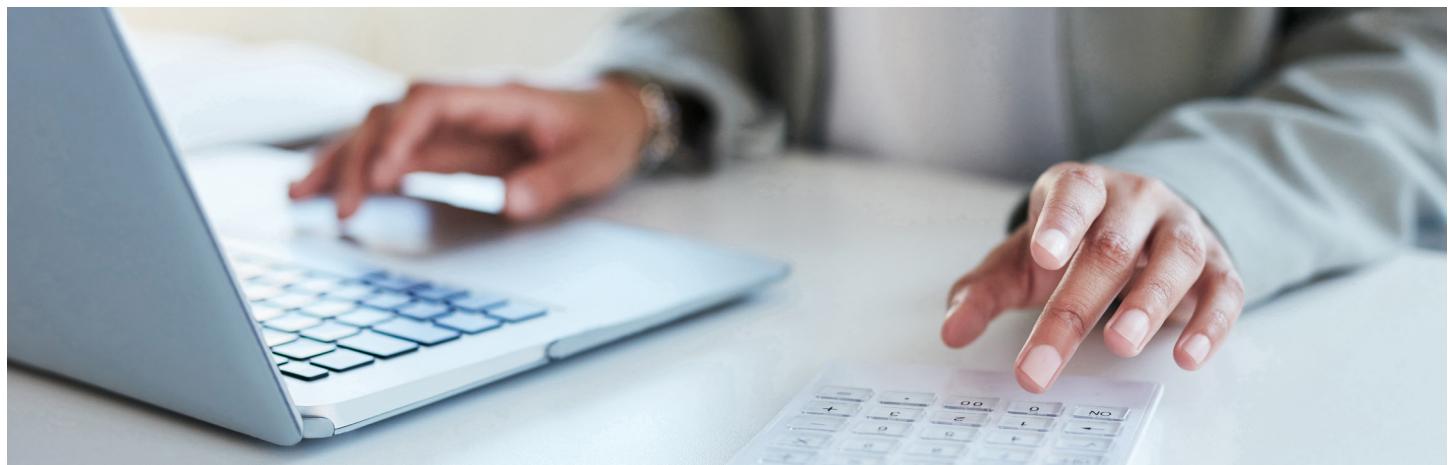
Investors may choose to receive dividends in cash or reinvest them by buying additional shares. The tax consequences are the same. The share value will decrease by the amount distributed per share. An investor does not receive any dividends if the shares are sold before the distribution date.

Investors sell the shares to realize capital gains or losses. Capital gains or losses realized on the

disposition of shares are not shown on the T5 or Releve 3 for residents of Quebec.

Investors must calculate the gain or loss and report it on their tax return. The number of shares sold and proceeds from the sale are reported on Form T5008 or 15008/Releve 18 combo slip for residents of Quebec and on the client statement.

While these forms show a cost, that amount may not accurately represent the ACB of the shares and the investor must calculate and report the resulting capital gain or loss.



---

## Mutual fund trust | Manulife funds | Distribution

---

Funds must distribute both taxable income and realized capital gains. Funds do not distribute capital losses. Capital losses are netted against capital gains in the fund. Any net capital loss is then carried forward to offset gains in future years.

Any net capital gains are reduced by an approximate amount of capital gains realized on redeemed units before they get distributed to the remaining unitholders. Investors may choose to receive distributions in cash or reinvest them by buying additional units.

The tax consequences are the same. The unit value will decrease by the amount distributed per unit. An investor does not receive any distributions if the units are sold before the distribution date, except for a money market fund and dollar-cost averaging fund which are determined daily.

Investors sell the units to realize capital gains or losses. Capital gains or losses realized on disposition are not shown on the T3 or Releve16 for residents of Quebec.

Investors must calculate the gain or loss and report it on their tax return. The number of units sold and proceeds from the sale are reported on Form T5008 or T5008/Releve18 combo slip for residents of Quebec and on the client statement.

While these forms show a cost, that amount may not accurately represent the ACB of the units and the investor must calculate and report the resulting capital gain or loss.

---

## Exchange traded funds | Manulife ETF's | Distribution

---

Funds must distribute both taxable income and realized capital gains. Funds do not distribute capital losses. Capital losses are netted against capital gains in the fund. Any net capital loss is then carried forward to offset gains in future years.

Any net capital gains are reduced by an approximate amount of capital gains realized on redeemed units before they get distributed to the remaining unitholders. Investors receive income (i.e.,

interest, dividends and foreign income) as cash distributions. Capital gains are automatically used to purchase additional units. These are immediately consolidated with the investor's other units. The unit value will decrease by the amount of cash distributed per unit. An investor does not receive any distributions if the units are sold before the ex-dividend date.

Investors sell the units to realize capital gains or losses. Capital gains or losses realized on disposition are

not shown on the T3 or Releve16 for residents of Quebec.

Investors must calculate the gain or loss and report it on their tax return. The number of units sold and proceeds from the sale are reported on Form T5008 a or T5008/Releve18 combo slip for residents of Quebec and on the client statement.

While these forms show a cost, that amount may not accurately represent the ACB of the units and the investor must calculate and report the resulting capital gain or loss.

## **Important information**

For Canadian Advisor use only – not for further distribution to the public.

This communication is published by Manulife Investments. Any commentaries and information contained in this communication are provided as a general source of information only and should not be considered personal investment, tax, accounting or legal advice and should not be relied upon in that regard. Professional advisors should be consulted prior to acting based on the information contained in this communication to ensure that any action taken with respect to this information is appropriate to their specific situation. Facts and data provided by Manulife Investments and other sources are believed to be reliable as at the date of publication.

Certain statements contained in this communication are based, in whole or in part, on information provided by third parties and Manulife Investments has taken reasonable steps to ensure their accuracy but can't be held liable for such information being inaccurate. Market conditions may change which may impact the information contained in this document.

You may not modify, copy, reproduce, publish, upload, post, transmit, distribute, or commercially exploit in any way any content included in this communication. Unauthorized downloading, re-transmission, storage in any medium, copying, redistribution, or republication for any purpose is strictly prohibited without the written permission of Manulife Investments.

Manulife Investments is a trade name of Manulife Investment Management Limited and The Manufacturers Life Insurance Company. Manulife, Manulife & Design, Stylized M Design, and Manulife Investments are trademarks of The Manufacturers Life Insurance Company and are used by it and by its affiliates under license.