

UK Reporting Fund Status

What is Reporting Fund status and why it is important?

Reporting Fund status is a designation granted by HM Revenue & Customs (“HMRC”) for share classes of offshore funds that allows UK taxable investors in the relevant share class to obtain favorable tax treatment upon selling their interest in the offshore fund. Each share class is treated as a separate “offshore fund” for UK tax purposes.

If a share class of an offshore fund has held Reporting Fund status throughout the time you have owned fund shares, any gain or loss you realise when selling the shares is treated as a capital gain or loss. However, if the share class does not have Reporting Fund status, any gain is treated as income and therefore may be subject to UK tax as income rather than as a capital gain.

To qualify as a Reporting Fund, certain information about the share class must be provided to UK investors and to HMRC annually. UK taxable investors will use this information in their tax returns, regardless of whether they have received a cash distribution.

A list of the Dodge & Cox Worldwide Funds share classes with Reporting Fund status can be found in the appendix to this document.

UK taxable investors who hold shares in one of the Dodge & Cox Worldwide Funds share classes with Reporting Fund status are required to include the reportable income for the share class in their tax returns to HMRC. Reporting Fund tax information is posted on dodgeandcoxworldwide.com by 30 June of each year.

Is there any implication of Reporting Fund status if I am not a UK resident?

No. There are no implications of Reporting Fund status if you are not a UK resident. You should seek personal tax advice on the appropriate tax treatment of your investment.

How am I taxed if I invest in a distributing share class with Reporting Fund status?

In a distributing share class, you will have three components of return to consider for the purposes of UK taxation:

1. distributions made by the fund,
2. reportable income at the end of the fund's financial year in excess of any distributions (“excess reportable income”), and
3. gain or loss on the sale or other disposal of fund shares. You will be taxed on distributions you receive plus the excess reportable income at the end of the fund's financial year. The sale or other disposal of fund shares will be subject to capital gains tax.

How am I taxed if I invest in an accumulating share class with Reporting Fund status?

In an accumulating share class, you will have two components of return to consider for the purposes of UK taxation:

1. excess reportable income at the end of the fund's financial year, and
2. gain or loss on the sale or other disposal of fund shares. You will be taxed on the excess reportable income at the end of the fund's financial year. The sale or other disposal of fund shares will be subject to capital gains tax.

When and how will the Reporting Fund tax information be made available to me?

Dodge & Cox Worldwide Funds will publish the Reporting Fund tax information by 30 June (i.e., six months after the end of the fund's financial year) on dodgeandcoxworldwide.com. This information will help you complete your annual tax return to HMRC.

What is the excess reportable income figure and where should it go?

The excess reportable income figure is the excess of the amount of income earned per share, as calculated under UK tax rules, over the amount actually distributed per share during the fund's financial year. You are required to report this figure to HMRC as income in your tax return. Excess reportable income is provided on a per share basis—you should multiply the per share amount by the number of shares you held at the end of the fund's financial year. This amount, plus any actual distributions received during your tax year (even if reinvested), will be considered “Foreign Income” in your tax return to HMRC.

When should the distributions and excess reportable income be reflected in my tax return?

The distributions made by the fund should be included in your tax return for the period in which the date of payment (or reinvestment) fell. The excess reportable income is deemed to be received six months after the end of the fund's financial year and should be included in your tax return on that basis.

For example, an investor holds 1,000 shares of a fund that made a distribution in June 2020 of £0.04 per share. The fund also had excess reportable income for the year ended 31 December 2020 of £0.01 per share. The investor will be deemed to have received £40 in June 2020 to be included in their 2020/2021 tax return to HMRC, and £10 on 30 June 2021 (i.e., six months after the end of the fund's financial year ended 31 December 2020) to be included in their 2021/2022 tax return to HMRC.

	Report in UK Tax Year 2020/2021	Report in UK Tax Year 2021/2022
Actual Distributions in June 2020	X	
Excess Reportable Income for the fund's financial year ended 31 December 2020 deemed distributed 30 June 2021		X

If I sell shares during the fund's financial year, how am I taxed on the excess reportable income?

You will only be taxed on excess reportable income to the extent that you own shares on the last day of the fund's financial year (i.e., 31 December).

Will the Reporting Fund tax information include an equalisation adjustment?

Under normal circumstances, Dodge & Cox Worldwide Funds does not operate equalisation.

How is my taxable gain calculated when I sell shares?

To calculate the taxable gain, you should adjust the cost basis of your shares by the accumulated excess reportable income on which you have been previously taxed.

For example, an investor acquires 1,000 shares in a fund for £10 per share (total cost of £10,000) and holds those shares for three years. The fund has excess reportable income of £0.05 per share for each of those years (total of £0.15 per share). This is treated as additional expenditure on the acquisition of the shares and the adjusted cost basis would be £10,150 after three years (£0.15 x 1,000 shares + £10,000). If the investor then sells the shares for £11 per share (total proceeds of £11,000), the realised gain would be £850 (£11,000 - £10,150).

Appendix

ISIN	HMRC Ref. No.	Fund and Class Name	Reporting Fund with Effect From	Dividend or Interest
IE00B54PRV58	D0003-0009	Global Stock Fund - USD Accumulating Class	01/12/2009	Dividend
IE00BK8V1670	D0003-0033	Global Stock Fund - USD Distributing Class	03/02/2020	Dividend
IE00B54J6879	D0003-0008	Global Stock Fund - GBP Accumulating Class	01/12/2009	Dividend
IE00B54PSJ04	D0003-0007	Global Stock Fund - GBP Distributing Class	13/02/2013	Dividend
IE00BYVQ3H23	D0003-0028	Global Stock Fund - GBP Distributing Class (H)	03/01/2017	Dividend
IE00B55JMJ98	D0003-0010	Global Stock Fund - EUR Accumulating Class	01/12/2009	Dividend
IE00B520HN47	D0003-0004	U.S. Stock Fund - USD Accumulating Class	01/01/2011	Dividend
IE00BKT5YP86	D0003-0034	U.S. Stock Fund - USD Distributing Class	02/03/2020	Dividend
IE00B50M4X14	D0003-0003	U.S. Stock Fund - GBP Accumulating Class	01/01/2011	Dividend
IE00B51BJD26	D0003-0002	U.S. Stock Fund - GBP Distributing Class	02/12/2013	Dividend
IE00BYVQ3J47	D0003-0030	U.S. Stock Fund - GBP Distributing Class (H)	03/01/2017	Dividend
IE00B50MWL50	D0003-0005	U.S. Stock Fund - EUR Accumulating Class	01/01/2011	Dividend
IE00BN6JJ043	D0003-0035	Emerging Markets Stock Fund - USD Accumulating Class	11/05/2021	Dividend
IE00BN6JJ159	D0003-0036	Emerging Markets Stock Fund - GBP Accumulating Class	11/05/2021	Dividend
IE00BN6JJ266	D0003-0037	Emerging Markets Stock Fund - GBP Distributing Class	11/05/2021	Dividend
IE00BN6JJ373	D0003-0038	Emerging Markets Stock Fund - EUR Accumulating Class	11/05/2021	Dividend
IE00B5568D66	D0003-0015	Global Bond Fund - USD Accumulating Class	01/05/2014	Interest
IE00B556C015	D0003-0013	Global Bond Fund - GBP Distributing Class	01/05/2014	Interest
IE00BLG2YK48	D0003-0021	Global Bond Fund - GBP Distributing Class (H)	01/05/2014	Interest
IE00B51Q8R41	D0003-0011	Global Bond Fund - EUR Accumulating Class	01/05/2014	Interest
IE00BLG30W12	D0003-0016	Global Bond Fund - EUR Accumulating Class (H)	01/05/2014	Interest
IE00BLG2YF94	D0003-0017	Global Bond Fund - EUR Distributing Class	01/05/2014	Interest
IE00BLG2YG02	D0003-0018	Global Bond Fund - EUR Distributing Class (H)	01/05/2014	Interest
IE00BN6JJ480	D0003-0039	Global Bond Fund - CHF Distributing Class (H)	01/07/2021	Interest

Income from funds investing in equities is considered dividends for UK tax purposes. Income from a "bond fund" is considered interest for UK tax purposes. A fund is a "bond fund" if more than 60% of the fund's assets are invested in fixed income instruments and cash during the fund's financial year.