



## QuantumWarrants Accountants guidelines

This guideline has been produced to provide information on QuantumWarrants to Accountants and super fund administrators.

*Installment warrants have been issued in Australia for a decade and have become a very popular investment tool. They are a tax effective investment that allows investors to gain exposure to an asset- capital appreciation and income. Typically written over shares a warrant can now be issued over direct real property.*

### ATO Tax ruling issued

Quantum Warrants have received a product ruling which covers the taxation aspects of a QuantumWarrant. Product Ruling PR 2005/27.

### Eligible for Self Managed Super Funds

Instalment Warrants have become a significant investment tool for self managed superannuation funds as:

- They are one of the few investments available to SMSF's which can, in the correct situation, provide a SMSF with leverage without breaching the SIS Act imposed borrowing restrictions;

APRA has provided guidance on this issue in its Superannuation Circular No. II.D.4 entitled "Borrowing by Superannuation Entities" which can be found on the APRA website at [www.apra.gov.au/Superannuation/Superannuation-Circulars.cfm](http://www.apra.gov.au/Superannuation/Superannuation-Circulars.cfm).

The above Circular (Paragraph 19) provides, examples of amounts which generally would **not** constitute borrowings for the purposes of the SIS Act. Quantum Warrants are covered under this paragraph as: they involve the purchase of property where property ownership passes to the trustee before the Instalments are finalised;

1. the Completion Payment is not 'compulsory' as the loan is limited in recourse to the underlying property;

2. the investor receives the value of the Instalments (less sales costs) on 'default'.
- The fund only outlays a portion of the cost of the property, however it is still entitled to the full tax benefits from interest deductions, depreciation and property expenses which may be used to offset contributions tax.

While Instalments do not constitute a borrowing for SIS purposes the interest charge associated with Instalments can still be allowable as a tax deduction.

### Investment strategy

Trustees of the fund are required to prepare and implement an investment strategy for the fund and conduct regular reviews. Trustees should review their investment strategy and ensure that covers the investment in a Property Warrant.

### Trust Deed

The funds trust deed should be checked for provisions allowing the investment. Many Trust deeds are out of date or lacking the powers to invest in derivatives.

### Reporting

After the end of each quarter (being March, June, September, December), Quantum will provide a set of quarterly reports. The June quarter report will incorporate the annual report.

QuantumWarrants are issued by QuantumWarrants Pty Limited ACN 112 141 009. AFSL 284983.

The PDS is available from QuantumWarrants, as issuer. Applications for a warrant may only be made upon receipt of an application form located in the PDS.

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