# Westfield Group restructure - capital distribution and dividend - creating a new stapled security (2010)

Find out about the 2010 Westfield Group restructure and the CGT obligations you may have.

6 July 2011

## Introduction

This document contains information about the 2010 Westfield Group restructure and creation of a new stapled security.

This information applies to you if:

- you are an individual, not a company or trust
- you are an Australian resident for tax purposes
- you held stapled securities in the Westfield Group as at 17 December 2010
- you did not acquire your stapled securities under an employee share scheme
- any gain or loss you made on the shares is treated only as a capital gain or capital loss - this means that you held your shares as an investment asset, not
  - as trading stock
  - as part of carrying on a business, or
  - to make a short-term or one-off commercial gain.

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# What happened?

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A restructure of the Westfield Group was implemented on 20 December 2010.

Each Westfield Group stapled security consists of one unit in Westfield Trust, one unit in Westfield America Trust and one share in Westfield Holdings Limited.

The restructure involved a capital distribution which resulted in you acquiring units in Westfield Retail Trust 1 and units in Westfield Retail Trust 2. These units were subsequently stapled together and commenced trading on the Australian Securities Exchange (ASX) as Westfield Retail Trust stapled securities.

The restructure also involved a transfer of assets from Westfield Trust to Westfield Retail Trust 1 on 20 December 2010.

## Westfield Retail Trust 1 units

Westfield Trust made a $100 (in total) capital distribution to Westfield Trust unit holders, satisfied by a distribution of all of the units in Westfield Retail Trust 1.

This equated to approximately $0.000000043 for each of your Westfield Trust units.

The amount you were entitled to is a non-assessable payment, and is a tax-deferred distribution.

Even though you received units instead of money, you need to consider your share of the capital distribution when you complete your tax return for 2010-11.

## Westfield Retail Trust 2 units

Westfield Holdings Limited declared a fully franked dividend of $100 (in total) payable to its shareholders, satisfied by a distribution of all of the units in Westfield Retail Trust 2.

This equated to approximately $0.000000043 for each of your Westfield Holdings Limited shares.

Even though you received units instead of money, you need to consider your share of the dividend when you complete your tax return for 2010-11.

## Westfield Securityholder Offer (Entitlement Offer) and Initial Public Offering (IPO)

You may have also acquired Westfield Retail Trust stapled securities on 21 December 2010:

- under the entitlement offer, by taking up some or all of your entitlement to subscribe for one new Westfield Retail Trust stapled security for every 4.23 Westfield Group stapled securities you own, or
- through subscribing for Westfield Retail Trust stapled securities under the IPO.

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# Frequently asked questions

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## Do I have to include the capital distribution I received in the form of units in Westfield Retail Trust 1 in my 2010-11 tax return?

You do not have to include your share of the capital distribution paid by Westfield Trust as assessable income in your tax return. It is a tax-deferred distribution.

Legally, you are required to reduce the cost base and reduced cost base of your Westfield Trust units by the amount of this and any other tax-deferred distributions you receive.

However, as the distribution is $0.000000043 per unit, you can choose not to reduce the cost base and reduced cost base of your Westfield Trust units.

It is possible that you have made a capital gain if the cost base and reduced cost base of your Westfield Trust units is nil just before the capital distribution (see question and answer regarding capital gain).

## Do I have to include the dividend I received in the form of units in Westfield Retail Trust 2 in my 2010-11 tax return?

You do not have to include your share of the dividend paid by Westfield Holdings Limited, or the franking credits allocated to the dividend, in your tax return unless your dividend is $1 or more, or increases the total dividends you receive in the 2010-11 year up to the next whole dollar.

**Note** that you will need to have held around 23.3 million Westfield Holdings Limited shares for your share of the dividend to have been $1.

## How do I calculate the new cost base and reduced cost base of my Westfield Trust units just after the restructure was implemented on 20 December 2010?

The first element of the cost base and reduced cost base of each of your Westfield Trust units, just after 20 December 2010, is 59% of the cost base and reduced cost base of each of your Westfield Trust units just before 20 December 2010.

> Attention **This is the cost base just after the restructure. Please make sure you reduce it further by the tax-deferred component of the distribution attributable to Westfield Trust for the six months ended 31 December 2010 (the amount of this component will be provided to you by the Westfield Group in the annual tax statement after 30 June 2011) and for future periods.**

> Attention **Note that if the cost base and reduced cost base of any of your Westfield Trust units just before 20 December 2010 is nil due to tax-deferred distributions you have previously received, their cost base and reduced cost base remains nil after 20 December 2010 (you don't need to calculate as above).**

## How do I calculate the cost base of my new Westfield Retail Trust 1 units just after 20 December 2010?

The first element of the cost base and reduced cost base of each of your Westfield Retail Trust 1 units just after 20 December 2010 is the sum of:

- 41% of the cost base of each of your Westfield Trust units just before 20 December 2010
- the cost base, just before 20 December 2010, of each Westfield Retail Trust 1 unit you received*.

Attention **Note that if the cost base and reduced cost base of any of your Westfield Trust units just before 20 December 2010 is nil, the cost base and reduced cost base of the new Westfield Retail Trust 1 units you receive in respect of them is also nil after 20 December 2010 (you don't need to calculate as above).**

Attention ***As the cost base of each Westfield Retail Trust 1 unit is $0.000000043 just before 20 December 2010, you can choose to disregard this amount so that the first element of the cost base and reduced cost base of each of your new Westfield Retail Trust 1 units, just after 20 December 2010, is simply 41% of the cost base of each of your Westfield Trust units just before 20 December 2010.**

## Do I have to include a capital gain in my tax return as a result of the tax-deferred distribution if the cost base and reduced cost base of each of my units in Westfield Trust is nil due to earlier tax-deferred distributions I have received?

You do not have to include a capital gain as a result of the tax-deferred distribution in the calculation of the "net capital gain" included in your tax return, unless your total capital gain from receiving the tax-deferred distribution is $1 or more.

**Note** that you will need to have held around 23.3 million Westfield Trust units to make a capital gain of $1.

## What is the acquisition date of the Westfield Retail Trust 1 units I received in satisfaction of my share of the capital distribution?

For the purposes of making a discount capital gain, you are taken to have acquired these Westfield Retail Trust 1 units when you acquired your corresponding Westfield Trust units.

For all other tax purposes, you acquired them on 20 December 2010.

## What is the cost base and reduced cost base of the Westfield Retail Trust 2 units I received in satisfaction of my share of the dividend?

The first element of the cost base and reduced cost base of each of these Westfield Retail Trust 2 units is $0.000000043. You can choose to treat the first element of the cost base and reduced cost base as nil.

## What is the acquisition date of the Westfield Retail Trust 2 units I received in satisfaction of my share of the dividend?

For all tax purposes, you acquired these Westfield Retail Trust 2 units on 18 December 2010.

## Do I have to include any income in my tax return as a result of not taking up some or all of my entitlements under the entitlement offer?

No. You do not have to include any income in your tax return if you did not take up some or all of your entitlements under the entitlement offer.

## Do I have to include any income in my tax return as a result of taking up some or all my entitlements under the entitlement offer?

No. You do not have to include any income in your tax return if you took up some or all of your entitlements under the entitlement offer.

## What is the cost base and reduced cost base of the stapled units in Westfield Retail Trust 1 and Westfield Retail Trust 2 which I acquired when I took up some or all of my entitlements under the entitlement offer?

You acquired the new stapled securities in Westfield Retail Trust under the Entitlement Offer for $2.75 each.

Each new stapled security comprises one unit in Westfield Retail Trust 1 and one unit in Westfield Retail Trust 2, each with a separate cost base:

- The first element of the cost base and reduced cost base of each Westfield Retail Trust 1 unit is $2.74.
- The first element of the cost base and reduced cost base of each Westfield Retail Trust 2 unit is $0.01.

## What is the cost base and reduced cost base of the stapled units in Westfield Retail Trust 1 and Westfield Retail Trust 2 which I purchased under the IPO?

You acquired the new stapled securities in Westfield Retail Trust under the IPO for $2.75 each.

Each new stapled security comprises one unit in Westfield Retail Trust 1 and one unit in Westfield Retail Trust 2, each with a separate cost base:

- The first element of the cost base and reduced cost base of each Westfield Retail Trust 1 unit is $2.74.
- The first element of the cost base and reduced cost base of each Westfield Retail Trust 2 unit is $0.01.

## Does the restructure impact the cost base and reduced cost base of my shares in Westfield Holdings Limited or my units in Westfield America Trust?

No, the restructure does not impact the cost base and reduced cost base of your shares in Westfield Holdings Limited or your units in Westfield America Trust.

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# Example

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## Steps to determine the cost base and reduced cost base of new Westfield Retail Trust units and the cost base of existing Westfield Trust units

### Step 1

Jack determines that his holding of Westfield Group stapled securities consists of:

- 1,000 stapled securities acquired on 16 July 2004
- 2,000 stapled securities acquired on 15 April 2009.

### Step 2

Jack has to determine the cost base, just before 20 December 2010, of the Westfield Trust unit, which is a component of each Westfield Group stapled security he owns.

Jack holds 1,000 Westfield Trust units in his parcel of 1,000 stapled securities and 2,000 Westfield Trust units in his parcel of 2,000 stapled securities.

Because Jack acquired his stapled securities at different times and for different prices, he must do a separate calculation for his parcel of 1,000 stapled securities and his parcel of 2,000 stapled securities.

## Step 2a

Jack must firstly determine the original cost base and reduced cost base of his two parcels of stapled securities.

Jack acquired his 1,000 Westfield Group stapled securities in the 2004 Westfield Group stapling transaction. Westfield Group advised that the cost base and reduced cost base of each unit in the Westfield Trust (a component of the Westfield Group stapled security) was $0.001.

> Attention **Note, the cost base of each unit in Westfield Trust for Westfield Group security holders who participated in the 2004 Westfield Group stapling transaction will depend on their circumstances and may not be $0.001.**

The original cost base of Jack's 2,000 Westfield Group stapled securities he acquired on 15 April 2009 is $10 each (including brokerage). Jack has to work out the proportion of the $10 cost base that is attributable to each of the 2,000 Westfield Trust units.

## Step 2b

As per Step 2a, Jack knows that the original cost base (and reduced cost base) of each of his 1,000 Westfield Trust units is $0.001.

Jack refers to the Westfield Group website and finds that the percentage of the cost base of a Westfield Group stapled security attributable to each Westfield Trust unit, at the time he acquired the parcel of 2,000 stapled securities, is 65.72%.

Jack determines that the cost base and reduced cost base of each of his 2,000 Westfield Trust units is $6.57 ($10 × 65.72%).

## Step 2c

Jack now has to reduce the cost base and reduced cost base of each Westfield Trust unit by the tax-deferred distributions received from Westfield Trust from the time he acquired them up to 20 December 2010.

Jack has received a number of tax-deferred distributions in respect of his 1,000 Westfield Trust units up to the 2010-11 income year. The first tax-deferred distribution Jack received reduced the original cost base and reduced cost base of each of his 1,000 units from $0.001 to nil.

Tax-deferred distributions cannot reduce the cost base of units below nil.

The cost base of Jack's 1,000 Westfield Trust units just before 20 December 2010 was therefore nil.

From 15 April 2009 (when he acquired the 2,000 Westfield Trust units) to just before 20 December 2010, Jack has received the following tax-deferred distributions:

- 18.05 cents per unit for the six months ended 30 June 2009
- 18.05 cents per unit for the six months ended 30 December 2009
- 17.36* cents per unit for the six months ended 30 June 2010.

> Attention
>
> *Jack must check this amount when it is confirmed on the annual tax statement he will be sent by the Westfield Group after 30 June 2011.

Jack reduces his cost base of $6.57 per unit by the total of the tax-deferred distributions above (53.46 cents).

The cost base and reduced cost base of each of Jack's 2,000 Westfield Trust units just before 20 December 2010 is therefore $6.04.

### Step 3

Jack now has to work out the first element of the cost base and reduced cost base of his Westfield Trust units and his Westfield Retail Trust 1 units just after 20 December 2010.

Jack doesn't need to adjust the cost base of each of his 1,000 Westfield Trust units because their cost base remains nil after 20 December 2010 and the cost base of the corresponding Westfield Retail Trust 1 units he received is also nil.

However, he has to apportion the cost base of each of his 2,000 Westfield Trust units between their cost base and his new corresponding Westfield Retail Trust 1 units:

- Jack's adjusted cost base of each of his 2,000 Westfield Trust units is 59% of $6.04 = $3.56.
- Jack's cost base of each of his corresponding 2,000 Westfield Retail Trust 1 units is 41% of $6.04 = $2.48*.

> Attention
>
> ***The formula for working out the cost base of the new Westfield Retail Trust 1 units just after 20 December 2010 says to add their cost base just before 20 December 2010 (which was $0.000000043) to 41% of the cost base of each Westfield Trust unit just before 20 December 2010. Because $0.000000043 is so small, Jack chooses to treat the first element of the cost base as just 41% of $6.04.**
>
> *Jack must check the annual tax statement he receives from Westfield Retail Trust after 30 June 2011 to see if he has to reduce this cost base of his Westfield Retail Trust 1 units by any tax-deferred distribution he receives in respect of them.

### Westfield Retail Trust 2 units

As part of the restructure, Jack acquired 3,000 Westfield Retail Trust 2 units (in satisfaction of the dividend entitlement of $0.000000043 for each of the 3,000 Westfield Holdings Limited shares he held).

The cost base of each of these new Westfield Retail Trust 2 units is $0.000000043.

Jack chooses to treat the first element of their cost base as nil.

## Capital gains

As the cost base of each of Jack's 1,000 Westfield Trust units is nil, any tax-deferred distributions he receives in respect of them will give rise to a capital gain.

So far for the 2010-11 income year, Jack has received the following tax-deferred distributions:

- 17.36 cents per unit for the six months ended 30 June 2010
- 0.000000043 cents per unit as a result of the restructure

As a result, Jack makes the following capital gain:

- 17.36 cents x 1,000 units = $173.60
- 0.000000043 cents x 1,000 units = $0.000043 (Jack chooses to disregard this).

Total capital gain $173*.

> Attention ***Jack will make a further capital gain on the tax-deferred part of the distribution he received for the six months ending 30 December 2010 (details of the tax-deferred component are not yet known, and will be advised in the annual tax statement he will be sent by the Westfield Group after 30 June 2011).**

For the purpose of this example, assume Jack has no capital gains from any other CGT (capital gains tax) asset, and no current year capital losses or unapplied net capital losses at 30 June 2011.

Jack would report total capital gains of $173 in his 2010-11 tax return.

He would report a net capital gain of $86 after reducing the total capital gain by the 50% discount.

Attention **The capital gain of $0.000043 made on the tax-deferred distribution received under the restructure (1,000 x $0.000000043) does not increase Jack's capital gain by $1, so he can ignore it.**

Jack will not make a capital gain on his 2,000 Westfield Trust units as the total tax-deferred distributions he received in respect of them in the 2010-11 income year will not exceed their cost base.

### Dividends

Jack was entitled to a franked dividend of $0.000000043 for each of his 3,000 shares in Westfield Holdings Limited (a component of his Westfield Group stapled securities) as part of the Westfield Group restructure.

His dividend entitlement was therefore $0.000129 (3,000 x $0.000000043).

Assume Jack received total dividends of $350.00 in the 2010-11 year from all the shares he owns (including other dividends from Westfield Holdings Limited).

Jack would include $350 total dividends in his tax return for 2010-11.

He does not have to include the dividend of $0.000129 because it does not increase his total dividends for the year by $1 (cents are not included at the dividend question on the tax return).

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## More information

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For more information on the restructure, see Class Ruling CR 2010/77 Income Tax: capital gains tax: Westfield Group - creating a new stapled security

For more information on stapled securities, see Stapled securities and capital gains tax.

For more information about cost base and capital gains tax, refer to Capital gains tax - home.

For help applying this information to your own situation, you may seek advice from a recognised tax adviser or phone us on **13 28 61**.

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If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.