St George Westpac merger - fact sheet

This fact sheet outlines some of the tax consequences as a result of the bank merger of St George and Westpac.

6 October 2010

Overview

This page contains information about the merger of St George Bank Limited (St George) with Westpac Banking Corporation (Westpac) on 1 December 2008.

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 ordinary shares in St George, which participated in the merger with Westpac in 2008
- you did not acquire your shares under an employee share scheme, and
- any gain or loss you made on the shares is 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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On 8 September 2008, St George and Westpac signed an amended merger implementation agreement for a proposed merger of the two companies.

On 1 December 2008, St George merged with Westpac.

St George ordinary shareholders received 1.31 fully paid ordinary shares in Westpac for each ordinary share they held on 24 November 2008.

St George also declared a final and special dividend for its ordinary shares of $1.25 per ordinary share payable on 18 December 2008.

The market value of each Westpac share received by St George shareholders on 1 December 2008 is $17.1882.

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Are there any tax consequences for me?

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There are three consequences:

- the disposal of your St George shares is a capital gains tax (CGT) event that may have resulted in a capital gain for you. Depending on the outcome, you may have to include some information in your 2008-09 tax return (to the extent that roll-over does not apply)
- you must work out the cost base of your new Westpac shares
- you must include the special and final dividend in your 2008-09 tax return.

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What are the capital gains tax consequences of the disposal of my St George shares?

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A CGT event happened when you disposed of your St George shares in the merger with Westpac on 1 December 2008.

You may have made a capital gain or a capital loss on your St George shares, depending on their cost base (or reduced cost base) and the amount you received for them.

Work out if you have made a capital gain or capital loss using the value of the capital proceeds for each St George share on 1 December 2008.

The capital proceeds for each St George share was $22.5165 [1.31 multiplied by $17.1882 (the market value of a Westpac share)].

You may own shares that have different cost bases (or reduced cost bases) and it is possible for you to have made both a capital loss and a capital gain on different St George shares. The following table will help you.

Note: For information on how to work out the cost base and reduced cost base for shares, see the **Guide to capital gains tax**.

For each St George share with a:	you have made:	equal to:
cost base of less than $22.5165	a capital gain	$22.5165 minus the cost base of the share
reduced cost base of more than $22.5165	a capital loss	the reduced cost base of the share minus $22.5165

Scrip for scrip rollover is available for this merger if you made a capital gain.

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Not choosing scrip for scrip rollover

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If you have made a capital loss, or have made a capital gain and do not choose scrip for scrip rollover, use your calculation of your capital gains and/or losses when completing Item 18 (capital gains) in your 2008-09 tax return (supplementary section).

If you have made a capital gain and held your St George shares for at least 12 months, you may also be entitled to the CGT discount of 50%.

The cost base of your new Westpac shares is $17.1882 multiplied by the number of shares received. For capital gains tax purposes, you acquired these shares on 1 December 2008.

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Choosing scrip for scrip rollover

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Scrip for scrip rollover allows you to defer your CGT gain until a later CGT event happens to your shares. You don't have to choose the rollover if you don't want to.

If you choose scrip for scrip rollover, the capital gain made from the disposal of the St George shares is disregarded and the cost base of your new Westpac shares is based on the cost base of the original St George shares.

You can apply the CGT discount when you dispose of your new Westpac shares, providing the combined period that you owned the original St George shares and the new Westpac shares is at least 12 months.

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What are the tax consequences of the final and special dividend?

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The final and special dividend totalling $1.25 per share paid by St George on 18 December 2008 is assessable income and should be included as a dividend in your 2008-09 tax return. The final and special dividend does not form part of the capital proceeds received by you.

> For more information on the merger, see **Class Ruling CR 2008/63 Income tax: scrip for scrip: merger of St George Bank Limited and Westpac Banking Corporation.**

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What to read/do next

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For details of this merger, see **Class Ruling CR 2008/63 Income tax: scrip for scrip: merger of St George Bank Limited and Westpac Banking Corporation.**

For more information about the tax implications of owning shares generally, see the following publications:

- **You and your shares** (NAT 2632) - this publication is for individuals investing in shares or convertible notes and offers guidance on the tax of dividends from investments (including an explanation of the 45-day holding rule), allowable deductions from dividend income and record keeping requirements for investors.
- **Guide to capital gains tax** (NAT 4151) - this publication explains how capital gains tax works and will help you to calculate your net capital gain or net capital loss.

- **Personal investors guide to capital gains tax** (NAT 4152) - shorter than the *Guide to capital gains tax*, this publication covers the sale, gift or other disposal of shares or units, distribution of capital gains from managed funds and non-assessable payments from companies or managed funds.

  It does not cover the CGT consequences for bonus shares, shares acquired under an employee share scheme, bonus units, rights and options, and shares and units where a takeover or demerger has occurred - for these you will need to refer to the longer *Guide to capital gains tax*.

For help applying this information to your own situation, phone us on **13 28 61**.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

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.