Westfield 2004 capital restructure - consequences for Westfield America Trust unit holders

What to know about the Westfield 2004 capital restructure and the consequences for Westfield America Trust unit holders.

6 October 2009

Introduction

This page contains information about the 2004 Westfield Group merger.

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 units in Westfield America Trust and participated in the Westfield Group merger in July 2004
- you did not acquire your units under an employee share scheme, and
- any gain or loss you made on the units is a capital gain or capital loss - this means that you held your units 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.

Background

What are the tax consequences of my participation in the sale facility?

What are the capital gains tax consequences for me?

How do I treat the capital gain or capital loss?

What are the tax consequences of my participation in the stapling distributions?

How do I treat the non-assessable payment?

What to read/do next

18186

Background

6 October 2009

Westfield announced the Westfield Group merger in May 2004. Westfield America Trust unit holders could either:

- elect to participate in a sale facility, under which they exchanged their units for either:
  - cash, or
  - Westfield Group stapled securities
- participate in the stapling distributions and have their units stapled to Westfield Holdings shares and Westfield Trust units.

The Westfield Group merger was completed on 16 July 2004.

18186

What are the tax consequences of my participation in the sale facility?

6 October 2009

The sale of your units is a capital gains tax (CGT) event that may have resulted in a capital gain (or capital loss) for you. Depending on the outcome, you may have to include some details on your 2004-05 tax return.

If you chose to receive Westfield Group stapled securities in exchange for your units, you must also work out the cost base of each element of the stapled securities.

18186

What are the capital gains tax consequences for me?

6 October 2009

Your Westfield America Trust units were consolidated as the first step of the sale arrangement. After consolidation you held 0.15 units for every pre-existing unit (rounded up to the next whole number). There are no direct tax effects from this consolidation. If you acquired your units in more than one transaction, you may need to round the consolidated units and adjust the cost bases for the parcels. A fact sheet on how to do this will be available shortly.

A CGT event happened to your Westfield America Trust units on their sale on 2 July 2004, the effective date for the sale.

You may have made a capital gain or a capital loss on your Westfield America units, depending on their cost base (or reduced cost base) and the amount you received for them. The amount that you received for them depends on whether you received cash or stapled securities for your units.

Unit holders who received cash

Westfield America unit holders who participated in the sale arrangement and received cash received approximately $2.30 for each unit* that they disposed of.

* The actual amount was worked out as (number of units participating x 0.15, and rounded up to the next whole number) x $15.35.

Work out if you have made a capital gain or capital loss using the capital payment amount that you received for each unit. If you acquired all of your Westfield America Trust units in one transaction, you can simply compare the total cost base with the total amount of cash that you received to work out your capital gain or loss. However, if you acquired your Westfield America Trust units in more than one transaction, you must allocate the cash that you received between the different parcels of units on a pro rata basis.

The following table will help you to work out your capital gain or loss.

For each Westfield America Trust unit with a:	you have made:	equal to:
cost base of *less* than the cash that you received for it	a capital gain	the cash that you received *minus* the cost base of the unit.
reduced cost base of *more* than the cash that you received for it	a capital loss	the reduced cost base of the unit *minus* the cash that you received.

For information on how to work out the cost base and reduced cost base for units, see the ***Guide to capital gains tax 2004-05.***

Unit holders who received stapled securities

Westfield America Trust unit holders who participated in the sale arrangement and received stapled securities received proceeds worth approximately $2.32 for each unit* that they disposed of.

* The actual amount was worked out as (number of units participating x 0.15, and rounded up to the next whole number) x the value of a stapled security at the time. The stapled securities were valued at $15.48 each at the time of the sale arrangement.

Work out if you have made a capital gain or capital loss using the capital proceeds amount of $15.48 for each stapled security you received under the sale. If you acquired all of your Westfield America Trust units in one transaction, you can simply compare the total cost base with the total value of the Westfield Group stapled securities that you received to work out your capital gain or loss. However, if you acquired your Westfield America Trust units in more than one transaction, you must allocate the value of the stapled securities that you received between the different parcels of units on a pro rata basis. There is a fact sheet on how to do these calculations in preparation.

The following table will help you to work out your capital gain or loss.

For each Westfield America Trust unit	you have	equal to:

with a:	made:	
cost base of *less* than of the value of the securities that you received for it	a capital gain	the value of the securities received for it *minus* the cost base of the unit.
reduced cost base of *more* than the value of the securities that you received for it	a capital loss	the reduced cost base of the unit *minus* the value of the securities received for it.

* For information on how to work out the cost base and reduced cost base for units, see the *Guide to capital gains tax 2004-05*.

18186

How do I treat the capital gain or capital loss?

6 October 2009

Capital gain

If you made a capital gain on the disposal of your Westfield America units, you must include it in your calculations when completing item **17** on your 2004-05 tax return (supplementary section).

The method you use to work out the amount to include in your item **17** calculations depends on when you acquired those units. The following table sets out what method you can use.

If you acquired your Westfield America Trust units:	You calculate your capital gain using the:
before 21 September 1999	Indexed cost base *or* discount method * Note: if you have capital losses to apply against capital gains you made on shares acquired before

	21 September 1999, you may want to use the indexation method for some of your shares and the discount method for the others. (For more information, see example of Clare in chapter 2 of the ***Guide to capital gains tax 2004-05***)*
on or after 21 September 1999 *and* before 2 July 2003	Discount method Note: If you have capital losses to apply against capital gains you made on these shares, you deduct the capital losses before applying the discount
on or after 2 July 2003	'Other' method

* If you choose to index the cost base of units you acquired before 21 September 1999, you cannot apply the CGT discount when you dispose of them.

For information on the different methods you can use to work out your capital gain, see the ***Guide to capital gains tax 2004-05***.

Capital loss

If you made a capital loss, you can offset this loss against other capital gains you made in the 2004-05 income year. If you are unable to offset all the capital loss, you can carry the balance forward to offset against future capital gains. You must include these details when completing item **17** on your 2004-05 tax return (supplementary section).

How do I work out the cost bases of the elements of the stapled securities that I received?

Each Westfield stapled security is made up of:

- one Westfield Holdings Limited (WSF) share
- one Westfield Trust (WFT) unit, and
- one Westfield America Trust (WFA) unit.

For CGT purposes, each element of the stapled security is a separate CGT asset. The initial cost base (and reduced cost base) of each element is a reasonable part of the value of the Westfield America Trust units exchanged for the stapled securities. The following table gives the initial cost base of each element (worked out based on the net tangible assets attached to each element).

Element	Initial cost base (reduced cost base)	Calculation
WSF share	$1.41	$15.48 × 9.09%
WFT unit	$8.11	$15.48 × 52.39%
WFA unit	$5.96	$15.48 × 38.52%

Example -sale facility receiving stapled securities

Mario acquired 1,000 units in WFA in July 2000. Immediately before the sale arrangement commenced, the cost base of his units was $1,740 (or $1.74 per unit). Mario's units were consolidated as the first step of the sale arrangement. After consolidation, he held 150 (1,000 × 0.15) units with a cost base of $1,740 (or $11.60 per unit).

Mario chose to exchange his WFA units for Westfield Group stapled securities. He received 150 Westfield Group stapled securities in exchange for his WFA units. The Commissioner will accept that Mario's capital proceeds for the exchange of his units are equal to the volume weighted average price of the Westfield Group stapled securities over the first five trading days. Westfield has advised that this was $15.48.

Calculating the net capital gain

Mario makes a capital gain on the disposal of 150 units as follows:

Capital proceeds (150 x $15.48)	$2,322
less total cost base	$1,740

Capital gain	$582

Because Mario had held his units for more than 12 months, he applies the CGT discount to his capital gain (if he had capital losses he would offset them against his capital gain before applying the discount). Mario will include a $291 ($582 × 50%) net capital gain on his tax return for the year ended 30 June 2005.

Recording the capital gain on the tax return

Assuming he had no other capital gains and no capital losses for the 2004-05 year, Mario would complete item 17 on his 2005 tax return (supplementary section) showing:

Did you have a capital gains tax event during the year? **Yes**

Net capital gain: **$291**

Total current year capital gains: **$582**

Working out new cost bases

Mario will calculate the cost base and reduced cost base of his WSF units, WFT and WFA units as follows:

WSF units ($1.41 × 150) = $211.50

WFT units ($8.11 × 150) = $1,216.50

WFA units ($5.96 × 150) = $894.00

18186

What are the tax consequences of my participation in the stapling distributions?

6 October 2009

Your Westfield America Trust units were consolidated as the first step of the staple. After consolidation you held 0.15 units for every pre-existing unit (rounded up to the next whole number). There are no direct tax effects from this consolidation. If you acquired your units in more than one transaction, you may need to round the consolidated units and adjust the cost bases for the parcels. A fact sheet on how to do this will be available shortly.

You then received a non-assessable payment which reduced the cost base of your consolidated Westfield America Trust units and may result in a capital gain to you.

Finally you must work out the cost base of each element of your new stapled securities.

18186

How do I treat the non-assessable payment?

6 October 2009

You received a non-assessable payment of $1.01 per consolidated Westfield America Trust unit.

This amount reduces the cost base of your units. If the cost base of your consolidated units was less than $1.01 per unit, you would make a capital gain of $1.01 minus the cost base for each unit. You cannot make a capital loss on the receipt of a non-assessable payment.

The following table will help you to work out your capital gain or loss.

For Westfield America Trust units with a	you have made	equal to	You must reduce the cost base of your consolidated units
cost base greater than $1.01 per unit	no capital gain (or loss)	-	by $1.01 per unit
cost base equal to $1.01 per unit	no capital gain (or loss)	-	to nil

cost base less than $1.01 per unit	a capital gain	$1.01 *minus* the cost base of the unit	to nil

How do I work out the cost bases of the elements of the stapled securities that I received?

Each Westfield Group stapled security is made up of:

- one Westfield Holdings Limited (WSF) share
- one Westfield Trust (WFT) unit, and
- one Westfield America Trust (WFA) unit.

For CGT purposes, each element of the stapled security is a separate CGT asset. The non-assessable payment that you received was compulsorily used to purchase one WSF share and one WFT unit for each WFA unit that you held. Under this arrangement the purchase price of the WSF shares was $0.01 per share and the purchase price of the WFT units was $1.00 per unit. The following table gives the cost base (reduced cost base) of each element of your new stapled securities immediately after the stapling arrangement was completed:

Element	Initial cost base (reduced cost base)
WSF share	$0.01
WFT unit	$1.00
WFA unit	Cost base of consolidated units after the non-assessable payment - as per the previous table

Example - staple

Amber acquired 1,000 units in WFA in July 2000. Immediately before the merger, the cost base of her units was $1,740 (or $1.74 per unit). Amber's units were consolidated as the first step of the stapling arrangement. After consolidation, she held 150 (1,000 × 0.15) units with a cost base of $1,740 (or $11.60 per unit).

Amber's WFA units participated in the stapling arrangement. Amber received a non-assessable payment of $151.50 ($1.01 × 150). This payment will reduce the cost base of her consolidated WFT units. As it is less than the cost base of these units, it will not result in a capital gain to Amber.

Note: This non-assessable payment was compulsorily applied to buy WSF shares and WFT units, which were stapled with her units to make up Westfield securities.

Working out new cost bases

Amber retains her consolidated WFA units at their original cost base less the amount of the non-assessable payment. She has acquired new WSF shares at the cost of $0.01, and WFT units at the cost of $1.00 each. The cost base of each of the elements of Amber's Westfield securities immediately after the staple was completed on 16 July 2004 was as follows:

WSF units	($0.01 × 150)	= $1.50
WFT units	($1.00 × 150)	= $150.00
WFA units	($1,740 - $151.50)	= $1,588.50

There are no CGT consequences for Amber as a result of the stapling of each WFA unit to each new WSF share and WFT unit.

18186

What to read/do next

6 October 2009

For more information on this restructure:

- participants in the sale facility can refer to Class Ruling CR 2004/54W: Income tax: Westfield America Trust - Westfield Group merger sale facility. This is a Tax Office ruling on the tax consequences for WFA unit holders arising from participation in the sale facility.

- participants in the stapling arrangement can refer to Class Ruling CR 2004/51W: Income tax: Westfield America Trust - Westfield Group merger stapling arrangement. This is a Tax Office ruling on the tax consequences for WFA unit holders arising from participation in the stapling arrangement.

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

- *You and your shares 2004-05* (NAT 2632-6.2004) - this publication is for individuals investing in shares or convertible notes and offers guidance on the taxation of dividends from investments, allowable deductions from dividend income and record keeping requirements for investors.

- *Guide to capital gains tax 2004-05* (NAT 4151-6.2004) - 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 2004-05* (NAT 4152-6.2004) - shorter than the *Guide to capital gains tax 2004-05*, this publication covers the sale, gift or other disposal of shares or units, distribution of gains from managed funds and non-assessable payments from companies or managed funds.
  It does not cover 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 information on these CGT issues, you will need to refer to the *Guide to capital gains tax 2004-05*.

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

18186

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.