Woolworths Limited - creating a new stapled security 2012

How to find out about updated tax consequences of participation in the 2012 Woolworths restructure.

Last updated 19 August 2013

Introduction

This document contains information about the 2012 Woolworths Limited (Woolworths) 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 ordinary shares in Woolworths on 30 November 2012 (record date)
- you hold your shares as an investment asset, **not**
  - as trading stock
  - as part of carrying on a business
  - to make a short-term or one-off commercial gain.

If you acquired your shares under an employee share scheme (ESS), this information only applies to you if the shares have been taxed under the ESS rules.

What happened?

In-specie distribution

You received units in SCA Property Management Trust and SCA Property Retail Trust and not cash.

Cost base of your Woolworths shares

Work out the cost base of your Woolworths shares.

Cost base of new units

The initial cost base of each SCA Property Group stapled security you received under the distribution is $1.4397.

Acquisition date

This applies whether you acquired the stapled securities under the distribution or the offer.

Shares sold before 11 December 2012

If you owned Woolworths shares on 30 November 2012 but sold them before 11 December 2012.

Examples

Examples of selling Woolworth shares.

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What happened?

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A restructure of Woolworths was implemented on 11 December 2012.

The restructure involved a distribution under which you received one stapled unit in Shopping Centres Australasia Property Group (SCA Property Group) for every five Woolworths shares you owned on 30 November 2012 (Distribution).

Each stapled unit in SCA Property Group is made up of:

- one unit in Shopping Centres Australasia Property Management Trust (SCA Property Management Trust), and
- one unit in Shopping Centres Australasia Property Retail Trust (SCA Property Retail Trust).

You therefore received units in both of these trusts.

The stapled units commenced trading on the Australian Securities Exchange (ASX) as SCA Property Group stapled securities.

SCA Property Group offer

You may also have been allotted SCA Property Group stapled securities by participating in the Woolworths retail shareholders offer.

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In-specie distribution

You received units in SCA Property Management Trust and SCA Property Retail Trust and not cash.

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Although you received units in SCA Property Management Trust and SCA Property Retail Trust and not cash, for tax purposes you received from Woolworths both:

- a fully franked dividend, and
- a capital return amount.

Dividend amount

The dividend amount was $0.7097721 for every five Woolworths shares you owned on 30 November 2012.

This equates to $0.14195442 for each of your Woolworths shares for which you received an SCA Property Group stapled security.

As the dividend is fully franked it has franking credits attached to it.

You must include your dividend amount, and the franking credit attached to it, at the Dividends label in your 2012–13 tax return.

Your Woolworths Limited in-specie distribution advice will tell you these amounts.

You are entitled to a franking tax offset equal to the franking credit amount.

Claiming your franking tax offset when you do not need to lodge a tax return

If you are eligible to claim a franking tax offset for 2012–13 but you are not otherwise required to lodge a tax return, see **Refund of franking credits instructions and application for individuals 2013**.

Capital return amount

A capital gains tax event happened when you received the capital return.

The capital return amount was $0.7299279 for every five Woolworths shares you owned on 30 November 2012.

This equates to $0.14598558 for each of your Woolworths shares for which you received an SCA Property Group stapled security.

You do not include the capital return amount as income anywhere in your tax return if you continued to own your Woolworths shares on 11 December 2012 (distribution date).

You must however reduce the cost base of your Woolworths shares by the capital return amount.

If you owned Woolworths shares on 30 November 2012 but sold them before 11 December 2012, follow the instructions under Shares sold before 11 December 2012.

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Cost base of your Woolworths shares

Work out the cost base of your Woolworths shares.

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Step 1 Cost base

It is up to you to work out the cost base of your Woolworths shares, just as you would if you were selling your shares and had to work out what they cost you.

The cost base of your shares will depend on the way you acquired them. Some examples are:

- on-market
- as a gift or inheritance
- under an ESS
- as replacement shares.

Incidental costs such as brokerage are included in the cost base. The cost base may also be affected by various capital gains tax events.

If you make a capital loss when you dispose of your shares, you need to calculate the reduced cost base instead of the cost base.

See also:

- What is the cost base?

Step 2 Adjusted cost base

When you have worked out the cost base for each of your Woolworths shares, subtract $0.14598558. The result is the adjusted cost base of each of your Woolworths shares.

> You cannot reduce the cost base below nil. If subtracting $0.14598558 results in a negative amount, the cost base of each Woolworths share becomes nil and the excess is a capital gain.

If you have owned your Woolworths shares for more than 12 months you can reduce the capital gain by the 50% CGT discount (after first applying any net capital losses you have).

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Cost base of new units

The initial cost base of each SCA Property Group stapled security you received under the distribution is $1.4397.

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Units received under the distribution

This cost base is apportioned 99.4% to the SCA Property Retail Trust unit and 0.6% to the SCA Property Management Trust unit, giving their separate cost base of:

- $1.4310618 for each SCA Property Retail Trust unit, and
- $0.0086382 for each SCA Property Management Trust unit.

Units acquired under the Woolworths retail shareholders offer (the offer)

The initial cost base of each SCA Property Group stapled security you acquired under the offer is $1.40.

This value is apportioned 99.4% to the SCA Property Retail Trust unit and 0.6% to the SCA Property Management Trust unit, giving their separate cost base of:

- $1.3916 for each SCA Property Retail Trust unit, and
- $0.0084 for each SCA Property Management Trust unit.

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Acquisition date

This applies whether you acquired the stapled securities under the distribution or the offer.

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For tax purposes you acquired the stapled securities on 11 December 2012.

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Shares sold before 11 December 2012

If you owned Woolworths shares on 30 November 2012 but sold them before 11 December 2012.

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You must include the following amounts in your 2012–13 tax return:

- any capital gain or capital loss from the sale of your Woolworths shares
- a capital gain from receiving the stapled securities, and
- the dividend amount and franking credit attached to it.

Woolworths shares

Work out your capital gain or capital loss on the sale of your Woolworths shares by comparing the cost base of your shares and the sale proceeds. Do not reduce the cost base by the amount of the distribution.

If you make a capital gain, apply any remaining net capital losses that you have against that capital gain. If you had owned your Woolworths shares for more than 12 months as at the date you sold your Woolworths shares you can reduce the remaining capital gain (if any) by the 50% CGT discount.

Receiving the stapled securities

Owning Woolworths shares on 30 November 2012 gave you a right to receive SCA Property Group stapled securities. When you sold your Woolworths shares, this right remained as a separate capital gains tax asset.

The cost base of the right is nil.

When the distribution was made it ended the right. This is another capital gains tax event for you.

The capital proceeds is your total distribution amount, which is the number of SCA Property Group stapled securities you received multiplied by $1.4397.

Because the cost base of the right to receive the stapled securities is nil, the capital proceeds (your total distribution amount) is your capital gain.

Your capital gain is then reduced by the dividend amount of the total distribution (refer to your Woolworths Limited in-specie distribution advice for these amounts).

This is because the dividend amount, and the franking credit attached to it, must be included at the Dividend label of your tax return.

You are entitled to a franking tax offset equal to the franking credit amount.

Note: You will not be taxed twice on the dividend amount. Deducting the dividend amount from the capital gain prevents this.

After subtracting the dividend amount from the capital gain, apply any remaining net capital losses that you have against that capital gain. If you had owned your Woolworths shares for more than 12 months prior to the receipt of the distribution, you can now reduce the capital gain by the 50% CGT discount.

Refer to Example 2 if you sold your Woolworths shares before 11 December 2012.

Sale facility

SCA Property Group conducted a sale facility giving security holders who held 318 or less stapled securities (with a market value of less than $500) on 24 January 2013, the opportunity to sell their stapled securities brokerage-free.

If you held 318 or less stapled securities on 24 January 2013 you were sent a letter about the sale facility, the Terms and Conditions booklet and a Unit Retention Form.

If you wanted to keep your stapled securities you had to return the Unit Retention Form by 5pm (Sydney time) on 21 March 2013.

You could also have acquired more stapled securities before market close on 18 March 2013 so that you held 319 stapled securities or more on 21 March 2013.

If you wanted your stapled securities sold in the sale facility, you did not need to do anything.

The stapled securities were sold for $1.6347 each and the sale proceeds sent to you.

A capital gains tax event happened when your stapled securities were sold. You made a capital gain if the sale proceeds were more than the cost base of the stapled securities.

Because each stapled security is made up of one unit in SCA Property Management Trust and one unit in SCA Property Retail Trust, the sale proceeds are apportioned 99.4% to the SCA Property Retail Trust unit and 0.6% to the SCA Property Management Trust unit, giving separate sale proceeds of:

- $1.6248918 for each SCA Property Retail Trust unit, and
- $0.0098082 for each SCA Property Management Trust unit.

The cost base of the units is apportioned the same way. See Cost base of new units.

Refer to Step 3 in Example 1 if your stapled securities were sold in the sale facility.

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Examples

Examples of selling Woolworth shares.

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Example 1

Neville purchased a parcel of 800 Woolworths shares in 1999 for $5.380 per share including brokerage.

Neville purchased another parcel of 200 Woolworths shares in 2010 for $28.750 per share including brokerage.

Neville still owns all of his 1,000 Woolworths shares.

Under the distribution Neville received 200 SCA Property Group stapled securities with a market value of $287.94 (200 × $1.4397).

For Neville, the distribution has the following components:

- Dividend amount of 1,000 × $0.14195442 = $141.95
- Capital return amount of 1,000 × $0.14598558 = $145.98

The franking credit attached to the dividend amount is:

- $141.95 × (30/70) = $60.83.

Step 1: Neville includes the dividend amount of $141.95 and the franking credit amount of $60.83 at the dividend label of his 2012–13 tax return (along with any other dividends and franking credits he receives from Woolworths or other companies in which he owns shares).

The franking tax offset will be automatically applied.

Step 2: Neville must reduce the cost base of each of his Woolworths shares by the capital return amount of $0.14598558 for each share for which he received a SCA Property Group stapled security.

Because Neville purchased his shares at different times for different prices, he must do a separate calculation for his parcel of 800 shares and his parcel of 200 shares.

Step 2a: The adjusted cost base of each of Neville's 800 Woolworths shares is:

$5.380 − $0.14598558 = $5.234

Step 2b: The adjusted cost base of each of Neville's 200 Woolworths shares is:

$28.750 − $0.14598558 = $28.604

Step 3: Because Neville received less than 318 stapled securities (worth less than $500) he was sent the offer to have them sold in the sale facility at no cost to him.

Neville decided he wanted the stapled securities sold so he did nothing. That is, he did not return the Unit Retention Form.

Neville's 200 stapled securities were sold in the sale facility and he was sent $326.94 ($1.6347 for each stapled security).

Neville has to work out the capital gain on the separate unit in SCA Property Retail Trust and SCA Property Management Trust that made up each stapled security.

SCA Property Retail Trust unit

- Capital proceeds of $1.6248918 ($1.6347 × 99.4%)
- Less cost base of $1.4310618
- Capital gain $0.19383
- Total capital gain $38.766 ($0.19383 × 200 units)

SCA Property Management Trust unit

- SCA Property Retail Trust unit
- Capital proceeds of $0.0098082 ($1.6347 × 0.6%)
- Less cost base of $0.0086382

- Capital gain $0.00117
- Total capital gain $0.234 ($0.00117 × 200 units)

Neville therefore made a total capital gain of $39 on the sale of his stapled securities in the sale facility.

Neville cannot apply the 50% discount to this capital gain because he did not hold the stapled securities for more than 12 months.

Assume Neville has no other capital gains for the year and no current year or prior year unapplied capital losses.

At the capital gains label on his tax return (supplementary section) Neville answers that he had a capital gains tax event during the year and writes 39 in the Net capital gain and Total current year capital gains fields.

Example 2: Shares sold before 11 December 2012

Stacey acquired 2,000 Woolworths shares in 2002 and worked out their total cost base including brokerage was $23,000.00, or $11.50 each.

Stacey sold all of her 2,000 shares on 10 December 2012 for $58,800.00, or $29.40 each. She paid $100.00 brokerage.

Step 1: Stacey works out the capital gain on the sale of her shares.

- Capital proceeds of $58,800.00
- Less cost base of $23,000.00 + 100.00 = $23,100.00
- Capital gain = $35,700.00

Because Stacey owned Woolworths shares on 30 November 2012 she had a right to receive SCA Property Group stapled securities under the distribution.

Even though she no longer owned her Woolworths shares that gave her the right, Stacey still received 400 SCA Property Group stapled securities on 11 December 2012 valued at $575.88 (400 × $1.4397).

For Stacey, the distribution has the following components:

- Dividend amount of 2,000 × $0.14195442 = $283.90

- Capital return amount of 2,000 × $0.14598558 = $291.97

The franking credit attached to the Dividend amount is:

$283.90 × (30 ÷ 70) = $121.67

Step 2: Stacey has to work out the capital gain on the ending of the right to receive the SCA Property Group stapled securities.

- Capital proceeds of 400 × $1.4397 = $575.88
- Less cost base of nil
- Capital gain = $575.88

Step 3: Stacey reduces the capital gain by her Dividend amount of $283.90.

- Capital gain of $575.88
- Less dividend amount of $283.90
- Adjusted capital gain = $291.98

Step 4: Completing her 2012–13 tax return

Step 4a: Dividend

Stacey must include the dividend amount of $283.90 and the franking credit amount of $121.67 at the Dividends label (along with any other dividends and franking credits for the year from Woolworths and any other companies in which she owns shares).

Stacey will automatically receive any franking tax offset she is entitled to.

Step 4b: Capital gains

Stacey must include her Total current year capital gains and her Net capital gain at the Capital gains label on her tax return (supplementary section).

Assume Stacey has no other capital gains or capital losses for the year but has a prior year net capital loss of $50.00 to apply.

- Capital gain on the sale of her Woolworths shares of $35,700
- Capital gain on the ending of the right to receive stapled securities = $291.98
- Stacey’s total capital gain = $35,991.98

- Less prior year net capital loss of $50.00 = $35,941.98
- Stacey now applies the 50% CGT discount $35,941.98 × 50% = $17,970.99
- Net capital gain = $17,970.99

Step 5: Because Stacey received more than 318 stapled securities (valued at more than $500) she was not offered the opportunity to sell them in the sale facility. She intends to sell them in future on-market.

Stacey keeps record of the cost base of each unit that makes up each stapled security as follows:

- SCA Property Retail Trust units = $1.4310618
- SCA Property Management Trust units = $0.0086382

See also:

- Class Ruling CR 2012/121 Income Tax: Woolworths Limited - creating a new stapled security
- Stapled securities
- Capital gains tax

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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