# Tax Guide 2018


convenience
RETAIL REIT

Convenience Retail REIT No. 1 ARSN 101 227 614
Convenience Retail REIT No. 2 ARSN 619 527 829
Convenience Retail REIT No. 3 ARSN 619 527 856

# TAX GUIDE 2018

## Convenience Retail REIT

An investment in Convenience Retail REIT™ ("**the Fund**") constitutes an investment in three separate entities that are stapled together. The three entities are:

- Convenience Retail REIT No. 1 (formally APN Property Portfolio Plus);
- Convenience Retail REIT No. 2 (formally APN Retail Property Fund); and
- Convenience Retail REIT No. 3.

The entities listed above are trusts (together, the "**Trusts**") that have opted-in to apply the Attribution Managed Investment Trust ("**AMIT**") regime.

## About this guide

This Guide is relevant to you for the income year ended 30 June 2018 if:

- you are an Australian resident individual investor in the Fund; and
- you hold your investment in the Fund as a capital investment and not for the purposes of resale at a profit so that the capital gains tax ("**CGT**") provisions are relevant to you.

This Guide has been prepared for general information only and provides further explanation of information disclosed in investors' Attribution Managed Investment Trust Member Annual Statement (**AMMA**) for Convenience Retail REIT™. It is not, nor should it be relied upon as, tax advice or financial product advice. Each investor's circumstances will invariably differ and each investor should consider seeking independent tax advice relevant to their own particular circumstances.

## Completing 2018 income tax returns

The AMMA for the Fund will set out the information and disclosures likely to be relevant for each Australian resident individual investor to complete the Australian Tax Office's ("**ATO's**") Tax Return for Individuals 2018 (Question 8) and the ATO's Tax Return for Individuals 2018 Supplementary Section (Questions 13 and 18).

Any income or capital gains that investors have derived from other sources should be added to the relevant amounts received from the Fund and the total amount for each category should then be included in the investor's 2018 income tax return.

## Details of annual distributions and their taxation treatment

Distributions paid to investors by Convenience Retail REIT™ in respect of the period from establishment and IPO to 30 June 2018 are disclosed in the 2018 Annual Taxation Statement and comprise a number of components that will be treated differently for income tax purposes.

For most taxpayers, the 2018 income year will end on 30 June 2018. A brief outline of the meaning and likely tax treatment of each type of component that may appear on the 2018 AMMA for the Fund is set out below.

**Trust distributions:**
**Non-Primary Production Income**

This component represents the investor's share of the Australian sourced taxable income distributed by the Trusts within the stapled structure. Trust distributions are taxed on a present entitlement basis, not on a receipts basis.

Trust distributions are required to be included as assessable income in the 2018 income tax return at Label U at Item 13 of the ATO's Tax Return for Individuals 2018 Supplementary Section.

Amounts shown as Australian taxable income on the AMMA are already grossed up for any applicable tax credits. However, this item will exclude any taxable capital gains, which are disclosed separately on the AMMA and subject to different taxation treatment.

### Discounted Capital Gains

Amounts shown as discounted capital gains are the investor's share of taxable capital gains generated on disposal of assets held for at least 12 months to which the discount rate of 50% has been applied, using the "CGT discount method" of calculating capital gains. Investors are required to gross up the discounted capital gain by doubling the discounted capital gain shown in the AMMA but may be entitled to claim the CGT discount in their own right, depending on their own circumstances.

If an amount of discounted capital gain is shown in the Annual Tax Statement, investors should answer "Yes" at Label G at Item 18 of the ATO's Tax Return for Individuals 2018 Supplementary Section and include the amounts shown on the AMMA at Labels A and H at Item 18.

Further information in relation to the calculation of capital gains, including details of the CGT discount method can be obtained from the ATO publications – "Guide to Capital Gains Tax 2018" and "Personal Investors Guide to Capital Gains Tax 2017-18".

Discounted capital gains may arise from the disposal of taxable Australian property ("**TAP**") or from the disposal of property other than taxable Australian property ("**NTAP**"). This distinction, and its relevance, is briefly outlined below.

### TAP and NTAP capital gains

Your AMMA, by way of note, will identify the extent to which any taxable capital gains of either category are attributable to TAP and NTAP, respectively. In broad terms, TAP consists of real property situated in Australia and NTAP comprises other property including real property situated overseas. Resident taxpayers are assessable on TAP and NTAP gains in the same way, so the distinction is of little relevance to resident taxpayers; however, the distinction may be relevant to non-resident taxpayers. This disclosure is therefore provided for the benefit of resident holders of units that hold units on behalf of non-residents.

### AMIT CGT gross up amount

This item shows the additional amount treated as capital gains of members under ss 276-85(3) and (4) of the ITAA 1997, and is included in the AMIT cost base increase amount. This amount is non-assessable. Accordingly, this amount is not required to be included in an investor's tax return.

### Other taxable capital gains

Other taxable capital gains are taxable capital gains to which the CGT discount has not been applied, for example, capital gains generated on assets held for less than 12 months.

If there is an amount shown on the Annual Taxation Statement as other taxable capital gains, investors should answer "Yes" at Label G at Item 18 of the ATO's Tax Return for Individuals 2018 Supplementary Section. The amounts shown on the Annual Taxation Statement should be included at Labels A and H of Item 18.

Other taxable capital gains may arise from the disposal of TAP or from the disposal of NTAP. This distinction, and its relevance, is briefly outlined above.

### Other non-attributable amounts

This amount includes the tax-free amounts and tax-deferred amounts (including returns of capital).

Tax deferred amounts generally represents income derived that is sheltered from tax (due to deductions available for building allowances, depreciation and other tax timing differences).

Non-assessable amounts are not assessable for income tax purposes, but is reflected in the AMIT cost base net amount (reduction in cost base or reduced cost base).

### Cost base details:

**AMIT cost base net amount – excess* (decrease)**

You must adjust downwards the cost base or reduced cost base of your membership interests in the AMIT by the AMIT cost base net amount – excess (decrease).

**AMIT cost base net amount – shortfall* (increase)**

You must adjust upwards the cost base or reduced cost base of your membership interests in the AMIT by the AMIT cost base net amount – shortfall (increase).

*Example – We have provided an example below that illustrates how the cost base adjustments are made under both scenarios on the following facts:

John holds units in the AMIT fund on capital account. The cost base for the units at the start of the year (1 July 2017) was $1,000.

***Scenario 1 – where there is an AMIT cost base net amount – excess***

a) John receives a 2018 AMMA with an AMIT cost base net amount – excess of $20. John will need to reduce the cost base of his units in the AMIT by $20. This will result in an ending cost base of $980.

***Scenario 2 – where there is an AMIT cost base net amount – shortfall***

b) John receives a 2018 AMMA with an AMIT cost base net amount – shortfall of $25. John will need to increase the cost base of his units in the AMIT by $25. This will result in an ending cost base of $1,025.

**Resident TFN Amount Withheld**

This amount represents the tax deducted at the highest individual marginal tax rate, plus Medicare levy, from distributions and paid to the ATO where an investor has not provided a tax file number or details of exemption to the Fund. A credit should generally be claimable for such amounts withheld, as shown in the disclosures in an investor's AMMA Statement.

## Other important information for investors in Convenience Retail REIT™

**General capital gains tax (CGT) matters**

Although Convenience Retail REIT™ securities can only be traded together as one security, for Australian Income Tax purposes the individual securities comprising an investment in Convenience Retail REIT™ remain as separate assets.

Accordingly, for CGT purposes investors need to maintain records of the cost of each separate asset and apportion the proceeds on sale of a stapled security across these separate assets. This apportionment should be done on a reasonable basis.

One possible method of apportionment is on the basis of the relative Net Tangible Assets ("**NTA**") of the individual entities comprising Convenience Retail REIT™. This information is updated each six months following the release of Convenience Retail REIT's™ results and is available at: www.crreit.com.au

**Cost base of Convenience Retail REIT™ stapled securities acquired in the Initial Public Offer (IPO)**

For those investors who acquired securities as part of the IPO, information regarding the relative NTA of the individual entities comprising Convenience Retail REIT™ (which may be useful for determining the cost base of the separate assets comprising Convenience Retail REIT™ securities) is available at: http://www.crreit.com.au/investor-information/tax-cost-base-information/.

**Cost base of Convenience Retail REIT™ stapled securities for APN Property Plus Portfolio (PPP) and APN Retail Property Fund (RPF) investors who elected to retain securities**

For those former PPP and RPF investors who elected to retain some or all of their securities as part of the IPO, information regarding the cost base of the separate assets comprising Convenience Retail REIT™ securities is available at: http://www.crreit.com.au/wp-content/uploads/2016/12/20180319_Tax-cost-base-PPP-investors.pdf and http://www.crreit.com.au/wp-content/uploads/2016/12/20180319_Tax-cost-base-RPF-investors.pdf.

### CGT implications of cost base reductions

As discussed above under the "Cost base details" paragraph, if the AMMA discloses an AMIT cost base net amount - excess for any of the Trusts that form part of Convenience Retail REIT, investors are required to reduce the cost base of the units in each individual Trust (i.e. the separate assets). This reduction is relevant to calculating any capital gain or capital loss on disposal of an Convenience Retail REIT security for CGT purposes, where a CGT calculation must be performed for each separate asset that comprises Convenience Retail REIT.

Investors may make a capital gain (even if the stapled security is not sold) if, on a separate asset basis, the cost base is reduced below nil.

The booklets "Guide to Capital Gains Tax 2018" or Personal Investors "Guide to Capital Gains Tax 2017-18", which are available from the ATO, provide details of the calculations required.

### Investors that have disposed of securities during the 2018 financial year

Investors that have disposed of any investment in the Fund during the 2018 financial year may have made a capital gain or loss. Investors should obtain a copy of the booklet "Personal Investors Guide to Capital Gains Tax 2017-18" or alternatively, "Guide to Capital Gains Tax 2018" from the ATO and/or consult their professional tax adviser if they are in any doubt as to how such gains and losses are calculated.

## Other information

If you have further tax questions in relation to your investment in the Fund, we recommend that you consult your own tax adviser or professional adviser.

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