CFS Retail Property Trust Group (CFX)

2014 annual tax statements

Frequently asked questions

This document includes some frequently asked questions about CFX's 2014 annual tax statement.

Please note that the annual tax statement is provided as a guide for resident Australian individuals only who hold their investment on capital account. It does not take into account your personal circumstances and we recommend you speak to a professional for taxation advice.

If you have any additional queries, including details relating to your securityholding, you can contact the Security Registry on 1800 500 710 or cfs@linkmarketservices.com.au; or the CFX team directly, via CFXFeedback@colonialfirststate.com.au.

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A. Franking credits

A1.	Why is my franking credit included in my Total net cash distribution?	Under Australian tax law, property trusts such as CFS Retail Property Trust 1 (CFX 1) are required to distribute a trust's taxable income, of which franking credits form a part. While franking credits are not strictly a cash item, they do form part of CFX's assessable income for tax purposes. Therefore, they have been included in your distribution, as described in Note 2 of the annual tax statement. The effect of including franking credits as part of the income distribution component is to reduce the tax-deferred component that would otherwise occur. Please note that if you are an Australian resident, tax deferred income reduces the cost base of your CFX securities, which in turn could lead to a higher capital gain when selling your CFX securities in the future.
A2.	Am I able to claim the franking credit?	Please refer to Note 2 of your Annual Tax Statement to determine your eligibility to your entitlement to your franking credits.

B. Dividends

B1.	Why are franked dividends disclosed separately from the trust distribution of non-primary production income?	Within the Supplementary Section of the Individual Tax Return section you are required to separately show franked dividends received from trusts at Label 13C. Not disclosing franked dividends separately would therefore result in individuals finding it difficult to make the required disclosures in their tax returns. We note that we have provided tax statements for resident individual taxpayers who hold investments on capital account which are prepared in line with industry practice, and may not be suitable to each individual investor's particular taxation circumstances.

C. Tax implications of the Internalisation

C1.	What are the tax implications of Internalisation?	In March 2014, securityholders approved the Internalisation transaction which included the internalisation of the management of CFX, CFX acquiring a retail property asset management business from Commonwealth Bank of Australia and commencing the investment management of a number of wholesale property funds and mandates. This had tax implications for securityholders who held CFX securities prior to completion of Internalisation. To view the Internalisation tax guide, click here.

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D. Capital gains

D1. Why do I have a Discounted capital gains amount but no CGT Concession amount in my Annual Tax Statement?	Australian Real Estate Investment Trusts (REITs) that earn largely passive income, such as rental income (as is the case for CFX 1), do not pay tax. Accordingly,100% of taxable income is "passed through" the vehicle to the securityholder. If the sale of a property results in a capital profit, CFX is not required to distribute the proceeds of sale to securityholders. During the year, Rosebud Plaza was sold and conditional contracts were exchanged to sell The Entertainment Quarter, both of which gave rise to a capital profit. The proceeds will be utilised by CFX to undertake value-adding activities for securityholders including investment in the fund's development pipeline. By using the capital profits from the sale to fund such activities it reduces the amount of debt required to be drawn, and also the associated ongoing interest cost. The capital profit achieved on the sale gave rise to a capital gains tax (CGT) event during the 2014 financial year. With the assets having been held for more than 12 months, the discounted capital gains (50% for trusts) were treated as assessable and were therefore included in the taxable income of CFX and passed onto securityholders. Given that 100% of CFX's taxable income is passed on to securityholders, the 'Discounted capital gains - TARP' was therefore included as part of CFX's annual distribution of taxable income. This is the amount you will see on your annual tax statement. Given that CFX management has determined not to distribute the proceeds of sale, the CGT concession amount relating to the sale does not form a part of the annual tax statement. As mentioned above, CFX1 has utilised the proceeds of sale to generate additional income returns in the future for securityholders. CFX management has determined that this use of asset sale proceeds is in the best long-term interests of all securityholders.

E. Other

E1. Where are the Notes to my Annual Tax Statement?	For securityholders who accessed their Annual Tax Statement online, can view the Notes to their 2014 Annual Tax Statement as well as tax implications of the Internalisation for the 2014 Financial Year in the 2014 tax guide, by clicking here.