CFS Retail Property Trust Group (CFX)

2012 annual tax statements

Frequently asked questions

This document includes some frequently asked questions about CFX's 2012 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 you can contact the Unit Registry on 1800 500 710 or the CFX team directly, via CFXFeedback@colonialfirststate.com.au.

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A. Franking credits

A1. Why is my franking credit shown in Cash distribution?	Under Australian tax law, property trusts such as CFX 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?	All Australian resident investors in CFX are entitled to claim the full franking credit. The item under "franking credits" on your tax statement is able to be claimed in full under part 13 Q of the Australian tax pack (as noted in Note 2 on your statement).
A3. Why has the reporting of franking credits changed this year?	In this financial year, we amended the way in which we disclose franking credits in order to ensure that the best taxation result arises for our securityholders. Our approach has been confirmed by an external tax consultant, who shares the view that our approach provides a generally improved result for our securityholders and that our 2012 annual tax statements are consistent with Australian tax law.

B. Dividends

B1. Why are dividends disclosed separately from the trust distribution of non-primary production income.	The dividends have been disclosed separately in accordance with the 2012 Standard Distribution Statement agreed between the Financial Services Council and the ATO. This is due to the fact that 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.

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C. Discounted capital gains

C1. Why have I only received 50% of the capital gain in my distribution?	Australian Real Estate Investment Trusts (REITs) that earn largely passive income, such as rental income (as is the case for the CFX), do not pay tax. They are required to distribute (at least) 100% of taxable income and the requirement to pay tax 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 that capital profit in cash to securityholders. During the year, 50% of The Myer Centre Brisbane was sold giving rise to a capital profit. The proceeds of this transaction were utilised by the Manager to invest in the fund's future development pipeline, as well as paying down debt and undertaking an on-market security buy-back program. These activities are expected to derive additional income for securityholders and, by using the capital profits from the sale to fund these 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 2012 financial year. With the asset having been held for more than 12 months, 50% of the capital gain was treated as assessable and was therefore included in the taxable income of CFX. Since CFX is required to distribute 100% of its taxable income to securityholders, 50% of the capital gain was therefore included as part of CFX's annual distribution of taxable income. This is the amount you will see on your tax statement. The remaining 50% of the capital gain, the CGT Concession amount, has been withheld by CFX to be utilised for the above mentioned activities in order to generate additional income returns in the future for securityholders. The Manager of CFX has determined that this use of asset sale proceeds is in the best long-term interests of all securityholders.

D. Amended tax statements

D1. Why did I receive two tax statements this year.	Unfortunately, the initial tax statement distributed to unitholders included an error in the capital gains tax disclosure amount required at Label 18H of Supplementary Section of the Individual Tax Return section, but this did not contain any error in the amount of taxable income calculated. A second tax statement correcting this error was sent to you on Friday 31 August 2012. When lodging your income tax return, please use the statement which clearly identifies at the top of each page that it is an "amended tax statement".