



INVESTING IN THE STOCKLAND GROUP – NON-RESIDENT INVESTORS

The information contained in this guide is of a general nature only. It does not constitute the giving of tax or financial product advice and should not be relied upon as such. It is recommended that you seek independent advice.

[If you are a foreign superannuation fund then these comments may not be applicable to you and you should seek your own advice.]

1. Nature of an investment in the Stockland Trust Group

An investment in the Stockland Group consists of a share in Stockland Corporation Limited and a unit in Stockland Trust (referred to as a “stapled security”). The stapled security is listed on the Australian Stock Exchange as a single security and cannot be traded or dealt with separately.

2. Stockland’s legal form

Although the securities are stapled together, Stockland Corporation Limited and Stockland Trust exist as separate legal entities.

3. Stockland’s State of Residence

New South Wales, Australia.

4. Does Stockland possess REIT status?

There is currently no direct Australian equivalent to a REIT such as in other foreign jurisdictions, for example, in the United States of America.

Stockland Trust is a listed Australian Trust which invests in real property for the purpose of deriving rental income. Ordinarily, this income “flows through” the Trust to the securityholders, without tax at the Trust level.

Stockland Trust elected into the Attribution Managed Investment Trust (“AMIT”) regime for the year ended 30 June 2018 onwards. Further detail on the AMIT regime as relevant to Stockland can be found at the following link:

<https://www.stockland.com.au/investor-centre/securityholder-information/taxation/amit>

5. Is any local purchase/ sale/ stamp duty tax payable on dealing in securities in Stockland?

As the Stockland stapled securities are quoted on the Australian Stock Exchange Limited, no stamp duty is payable on either the sale or purchase of Stockland stapled securities. If you use a local stockbroker, then brokerage may apply.

6. Australian taxes applicable to distributions/ dividends payable to non-resident investors in Stockland securities (including where those distributions/ dividends include realised capital gains).

Stockland Corporation Limited

A non-resident securityholder will generally not be assessable in Australia on the amount of any dividend received from Stockland Corporation Limited. However, if the dividend is unfranked, Stockland will be required to withhold tax from the dividends paid to non-resident securityholders. The withholding tax, which is a final tax will, in the absence of a double tax treaty, be equal to 30% of the unfranked component of the dividends paid. This rate may be reduced, usually to 15%, where the securityholder is a resident of a country with which Australia has concluded a double tax treaty.

Stockland Corporation Limited has previously paid fully franked dividends. While the dividends are fully franked there is no requirement to withhold tax from dividend payments made to non-resident security holders. Stockland Corporation Limited has not paid a dividend since 2009.

Stockland Trust

The responsible entity of the Trust may be required to withhold tax in respect of the taxable component of the distributions made to non-resident securityholders at rates prescribed by Australian tax legislation

Trust income distributed to all securityholders retains the same character the income had when it was initially derived by the Trust.

A non-Australian resident is only subject to capital gains tax on taxable Australian real property ("TARP"). TARP includes direct and certain indirect investments in Australian real estate.

Where a distribution from the Trust to a securityholder includes an "AMIT cost base excess" component, the amount is generally not subject to withholding tax but will generally reduce the cost base of the Stockland Trust units held by the securityholder who holds the units on capital account. Where a distribution from the Trust to a securityholder includes an "AMIT cost base shortfall" component, the amount is generally not subject to withholding tax but will generally increase the cost base of the Stockland Trust units held by the securityholder who holds the units on capital account.

However, the above is only relevant if any gain the securityholder makes on the subsequent disposal of the units is subject to Australian capital gains tax.

In the case of a securityholder who holds units on revenue account such as a bank or other trading entity, it is recommended that independent advice be obtained in this regard.

The current withholding rates are shown in the following table:

Interest Income	Generally limited to 10%
Rental Income	15% ¹ or 30% ²
Capital Gains – Taxable Australian Real Property	15% ¹ or 30% ²
Capital Gains – Non-Taxable Australian Real Property	0%
Non-Concessional MIT Income	30% ³
AMIT Cost Base Excess Amounts	0%
AMIT Cost Base Shortfall Amounts	0%

¹ A 15% withholding tax applies where the address or place for payment of the non-resident recipient is in a jurisdiction with which Australia has an effective exchange of information agreement.

² A 30% withholding tax applies where the address or place for payment of the non-resident recipient is in a jurisdiction with which Australia does not have an effective exchange of information agreement.

³ Non-concessional MIT income relevantly includes certain income of a MIT derived from the operating side of a stapled group (referred to as MIT cross staple arrangement income) and from residential assets (referred to as MIT residential housing income), subject to a transitional rule which precludes such income from being classified as NCMI during a transitional period.

Income that is precluded from being NCMI under the transitional rule is referred to as “excluded from NCMI” and has specific implications for the availability of an exemption to foreign Sovereign investors. It is recommended that independent advice be obtained in this regard.

The distribution (or attribution) of net rental income and TARP capital gains by Stockland Trust is commonly referred to as a “Fund Payment”. The components that make up a Fund Payment are contained in the Section 12-H Notice that is located on the website at the following link:

<https://www.stockland.com.au/investor-centre/securityholder-information/distribution-and-dividends>

7. Australian income tax applicable to disposal of Stockland securities

a) An investor who holds securities on capital account for tax purposes

As a general rule, a non-resident investor (together with the investor’s associates) who does not hold at least 10% of the issued shares in a listed company or units in a unit trust (and has not held at least 10% for any 12 month period in the 24 months prior to the disposal), is not subject to Australian capital gains tax on disposal of those securities. Exceptions to that general rule can include investors that have previously been Australian residents and investors that have a permanent establishment in Australia.

If a non-resident investor holds (together with associates) at least 10% of the Stockland stapled securities then the securities will be taxable Australian property and capital gains tax may apply to their disposal. This arises as the market value of each of Stockland Trust and Stockland Corporation Limited is mainly attributable to taxable Australian real property. In that situation the investor will have to allocate its cost base and disposal proceeds between the shares in the Company and the units in the Trust in a reasonable way in order to calculate the taxable capital gain realised (after adjusting the cost base of the units for tax deferred amounts).

That allocation could be done by reference to the relative net assets of the Company and the Trust at the time of acquisition (for the cost base) and the time of disposal (for the capital proceeds) which is available from the Stockland website at the following link:

<https://www.stockland.com.au/investor-centre/securityholder-information/distribution-and-dividends>

b) An investor who holds securities on revenue account

In the case of a non-resident investor who may be regarded as a trader or who holds the securities as part of a business (for example a bank and/or other financial institution), any profit arising from the subsequent disposal of the securities may be subject to Australian income tax.

Where the non-resident investor is a resident of a country with which Australia has concluded a double tax treaty the investor may be entitled to relief pursuant to the terms of the treaty.

Each investor's particular circumstances will be different and it is recommended that independent advice be obtained.