



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

Even though 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 like that in other foreign jurisdictions, for example, in the USA.

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

5. Is any local purchase/sale/stamp tax payable on a 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

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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 (as amended by any applicable double tax treaty Australia has concluded with a non-resident securityholder's country of residence).

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

It is outside the scope of this Guide to comment on any treatment under a particular Double Tax Treaty.

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 a tax deferred component (e.g. flow through of amounts representing depreciation and/or capital allowances allowed as deductions to the Trust) the amount is generally not assessable and not subject to withholding but will generally reduce the cost base of the Stockland Trust units held by the securityholder who holds the units on capital account. However, this will only be relevant if any gain the securityholder makes on the subsequent disposal of the units will be 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 the treatment of such tax deferred amounts has not been conclusively determined. It is recommended that independent advice be obtained in this regard.

A revised withholding regime for managed investment trusts (which includes Stockland Trust) applies from 1 July 2012. The withholding rates under the new regime are shown in the following table:

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Component of Distribution	Rate of Withholding
Interest Income	Generally limited to 10% (Final withholding tax)
Rental Income*†	15% (Final withholding tax); OR 30% (Final withholding tax)
Capital Gains – TARP*†	15% (Final withholding tax on gross gains); OR 30% (Final withholding tax on gross gains)
Capital Gains – Non-TARP	0%
Distributions of Tax deferred amounts (e.g. depreciation of plant & equipment and/or Building allowances)	Generally 0%

* A 15% final 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, otherwise a 30% final withholding tax applies on fund payments. It is recommended that independent advice be obtained in this regard.

† A 7.5% rate applied to distributions prior to 30 June 2012. The rate has increased to 15% for subsequent distributions that relate to income years beginning on or after 1 July 2012.

7. Australian income tax applicable to disposal of securities in Stockland.

There is currently no legal requirement to deduct withholding tax from proceeds of securities sold by a non-resident securityholder. However, note that the Australian Government announced in its 2013-14 Budget that from 1 July 2016 it intends to introduce a non-final withholding regime on disposals by foreign residents of certain interests in Australian real estate (direct or indirect).

(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 more than 50% of the market value of each of Stockland Trust and Stockland Corporation Limited is attributable to 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

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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.

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

(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 will generally 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.

Note that the Australian Government has recently enacted legislation, i.e., the Investment Manager Regime (IMR), which exempts revenue gains made by certain qualifying non-resident foreign funds from portfolio (i.e. <10%) investments. It is outside the scope of this Guide to comment on the IMR.

Current as at August 2015

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