

# AMIT STUDY

## Summary

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**Study comparing the assessable CGT and assessable income for an individual holding a sample of 20 trusts for the five year period from 01/07/11 to 30/06/16 under two “what-if” scenarios:**

- they had been able and had “opted-in” to the new Attribution Managed Investment Trust (AMIT) regime during this period (please note that funds could not have done this in practice since the first year funds could opt-in was year-ending 30/06/2016), and**
- they had operated under the old trust rules.**

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### **About AIMS-STM PTY LTD**

AIMS-STM Pty Ltd is a Sydney-based research and software company specialising in advanced automated investment taxation (capital gains tax) software systems and related database services including portfolio reconstructions for CGT purposes. The company was founded in 1993.

## Background

The Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 became law on 04/05/16. Amongst other things this provides for a new CGT event E10 to replace E4 for trusts that opt-in to the new AMIT regime. CGT event E10 provides for both upwards and downwards adjustments to CGT cost bases.

Qualifying trusts had the option of opting-in to this new regime for the 2015-2016 tax year. Only one listed security (Mirvac Group MGR) opted-into the new regime for the 2015-2016 tax year. The indications (e.g. AGM resolutions) are that a large number of trusts will opt-in in 2016-2017 tax year. Opting-in is irrevocable.

## Purpose of this study

The purpose of this study was to get some idea of the possible impact of the new regime and whether holders of these trusts would be better off or worse off in terms of the tax they would pay under the new AMIT regime. This was done by comparing the assessable CGT and assessable income for a sample of 20 trusts and stapled securities assuming they were operating under the new AMIT regime and not operating under the new AMIT regime for the five year period from 01/07/11 to 30/06/16.

## Methodology

For each trust we assumed an investment of \$1million on 01/07/11 at the market value or entry price and a complete sell out of units held on 30/06/16, again at the market value or exit price.

The actual components of the distributions for each trust were used for both the AMIT and non-AMIT calculations, but are treated differently according to the tax rules of each 'regime'. The study takes into account corporate actions affecting the trusts in the study such as the major restructure of the Westfield trusts in 2014 when Westfield Retail Trust (WRT) was restructured to Scentre Group (SCG) and Westfield Group was restructured to Westfield Corporation (WFD) and Scentre Group (SCG). For these, in addition to Westfield Retail Trust and Westfield Group, Scentre Group and Westfield Corporation were also treated as AMITS and Non-AMITS for the periods held.

The calculation of assessable capital gains takes into account both direct capital gains (from the final sale of the units held, and shares in the case of stapled securities) and indirect capital gains (from trust distributions).

For the non-AMIT calculations Mirvac Group (MGR) was assumed not to have opted into the AMIT regime for 2016. Since Mirvac had not included any tax deferred amounts in its distributions over the period from 01/07/2011 it was assumed that for 2016 all of the AMIT non-assessable decrease amounts were made up of concessional amounts that required no cost base reduction under the non-AMIT old rules.

## Results

A summary of the results are shown in Table 1. (Source: AIMS-STM Pty Ltd)

| <b>Security</b>                                   | <b>ASX or<br/>APIR Code</b> | <b>Assessable CGT and<br/>income<br/>If AMIT 2011 to 2016</b> | <b>Assessable CGT and<br/>income<br/>If Not-AMIT 2011 to 2016</b> | <b>Assessable<br/>tax<br/>difference</b> | <b>Incr/Decr tax<br/>assessable<br/>if AMIT applied</b> |
|---|-----------------------------|---|---|--|---|
| Westfield Retail Trust                            | WRT                         | \$691,326   | \$707,970   | -\$16,645                                | -2.35%  |
| Westfield Group                                   | WDC                         | \$737,037   | \$741,604   | -\$4,567                                 | -0.62%  |
| Mirvac Group                                      | MGR                         | \$651,711   | \$653,096   | -\$1,385                                 | -0.21%  |
| GPT Group   | GPT                         | \$546,774   | \$546,775   | \$0                                      | 0.00%   |
| APA Group   | APA                         | \$1,029,628   | \$1,029,628   | \$0                                      | 0.00%   |
| Transurban  | TCL                         | \$942,230   | \$942,230   | \$0                                      | 0.00%   |
| Stockland   | SGP                         | \$516,419   | \$516,414   | \$5                                      | 0.00%   |
| OnePath Wholesale Select Leaders Trust            | ANZ0216AU                   | \$226,697   | \$226,565   | \$132                                    | 0.06%   |
| Ausbil Investmt Trusts - Australian Active Equity | AAP0103AU                   | \$273,145   | \$272,953   | \$192                                    | 0.07%   |
| Investa Office Fund                               | IOF                         | \$629,904   | \$624,674   | \$5,230                                  | 0.84%   |
| FirstChoice Wholesale Australian Share            | FSF0485AU                   | \$249,996   | \$247,328   | \$2,668                                  | 1.08%   |
| Walter Scott Global Equity Fund                   | MAQ0410AU                   | \$507,777   | \$501,762   | \$6,015                                  | 1.20%   |
| Dexus Property Group                              | DXS                         | \$628,863   | \$620,488   | \$8,376                                  | 1.35%   |
| Duet Group  | DUE                         | \$644,168   | \$631,799   | \$12,368                                 | 1.96%   |
| Advance Aust Shares Multi-Blend Fund - WSale      | ADV0045AU                   | \$265,516   | \$257,535   | \$7,981                                  | 3.10%   |
| Goodman Group                                     | GMG                         | \$772,628   | \$746,643   | \$25,985                                 | 3.48%   |
| Cromwell Property Group                           | CMW                         | \$609,935   | \$584,731   | \$25,204                                 | 4.31%   |
| Perpetual Wholesale Industrial Fund               | PER0046AU                   | \$443,895   | \$415,214   | \$28,681                                 | 6.91%   |
| BT Multi-Manager Australian Share                 | BTA0310AU                   | \$270,263   | \$242,359   | \$27,905                                 | 11.51%  |
| MLC MasterKey Unit Trust - Australian Share Fd    | MLC0015AU                   | \$211,197   | \$174,467   | \$36,731                                 | 21.05%  |

The results show that under the AMIT regime, holders of three of the 20 trusts in the study would have been better off under the new AMIT regime (i.e. had a lower assessable income from distributions and dividends and direct and indirect capital gains), four would have paid around the same assessable income and thirteen would have been worse off under the AMIT regime (i.e. incurred a higher assessable income) than under the pre-AMIT regime.

The principal reasons for these differences are discount capital gain components which under the AMIT regime give rise to an increase in calculating the net AMIT cost base adjustment amount for capital gains tax purposes. This is offset by concessional amounts which give rise to decreases in calculating the net AMIT. Under the old non-AMIT regime no change in cost base was required from the inclusion in distributions of either discount capital gains or concessional components.

### **Discount capital gains and concessional components**

The table below shows the percentage of the distributions made by each trust in the study represented by discount capital gains and concessional amounts for the period from 01/07/2011 to 30/06/2016. This table also shows the percentage of the distributions by which the concessional components were greater or less than the discount gains. Those trusts where the concessional amounts exceeded the discount capital gain would have a higher tax assessable income had the AMIT regime applied over the study period than they did under the previous non-AMIT regime. Similarly those trusts where the discount gains distributed exceeded the concessional amounts would have had a lower tax assessable income had the AMIT regime applied over the study period than they did under the previous non-AMIT regime.

|  |             | <b>Percentage of cash distributions<br/>of trusts 01/07/11 to 30/06/16</b> |                       |   |
|--|-------------|--|-----------------------|---|
|  |             | <b>CGT Discount Gain</b>   | <b>CGT Concession</b> | <b>Concession more or less than CGT Discount Gain</b> |
| MLC MasterKey Unit Trust - Australian Share Fund   | MLC0015AU   | 0.00%  | 36.34%                | 36.34%  |
| BT Multi-Manager Australian Share                  | BTA0310AU   | 22.92%   | 39.10%                | 16.17%  |
| Goodman Group                                      | GMG         | 0.00%  | 13.57%                | 13.57%  |
| Macquarie - Walter Scott Global Equity Fund        | MAQ0410AU   | 19.12%   | 30.70%                | 11.57%  |
| Perpetual Wholesale Industrial Fund                | PER0046AU   | 31.33%   | 38.50%                | 7.17%   |
| Advance Australian Shares Multi-Blend Fund - WSale | ADV0045AU   | 7.52%  | 14.61%                | 7.09%   |
| Duet Group   | DUE         | 5.07%  | 11.60%                | 6.53%   |
| Dexus Property Group                               | DXS         | 6.87%  | 11.52%                | 4.65%   |
| FirstChoice Wholesale Australian Share             | FSF0485AU   | 12.91%   | 14.92%                | 2.01%   |
| Ausbil Investment Trusts - Australian Active Equit | AAP0103AU   | 4.19%  | 4.38%                 | 0.19%   |
| OnePath Wholesale Select Leaders Trust             | ANZ0216AU   | 0.00%  | 0.15%                 | 0.15%   |
| Stockland  | SGP         | 7.87%  | 7.87%                 | 0.00%   |
| Cromwell Property Group                            | CMW         | 9.72%  | 9.72%                 | 0.00%   |
| APA Group  | APA         | 0.00%  | 0.00%                 | 0.00%   |
| GPT Group  | GPT         | 0.00%  | 0.00%                 | 0.00%   |
| Investa Office Fund                                | IOF         | 0.00%  | 0.00%                 | 0.00%   |
| Transurban Group                                   | TCL         | 0.00%  | 0.00%                 | 0.00%   |
| Westfield Group (Westfield Corp Scentre Group)     | WDC/WFD/SCG | 10.49%   | 7.66%                 | -2.83%  |
| Mirvac Group                                       | MGR         | 13.94%   | 10.53%                | -3.41%  |
| Westfield Retail Trust (Centre Group)              | WRT/SCG     | 10.98%   | 1.67%                 | -9.31%  |

### **Tax free and tax exempt components and where cash exceeds or is less than tax components**

A second reason for the differences was the inclusion of other tax exempt amounts which did not require a cost base adjustment under the previous non AMIT regime, but require a downward movement under the AMIT regime (these are separate from tax deferred amounts which involved a cost base reduction under both the AMIT and non-AMITS regimes). For example whilst the discount capital gains and concessional amounts were about the same for

Cromwell Property Group (CMW) large tax free amounts were also included in distributions for this stapled security during the period of the study which is the main reason why holders of this security would have been worse off with respect to assessable tax under the AMIT regime.

A third factor is where the cash distribution is greater than or less than the tax components for a distribution. Under the previous non-AMIT regime no cost base change was required or permitted for these situations. Under the AMIT regime where the cash distribution is less than the tax components an increase in cost bases is required and where the cash distribution is greater than the components a decrease is required. These situations have been less frequent and the few instances in the trusts in the study are shown below.

|  |             | <b>Percentage of cash<br/>distributions<br/>of trusts 01/07/11 to 30/06/16</b> | <b>Cash more or less than tax components</b> |             |
|--|-------------|--|--|-------------|
|  |             | <b>Other Tax Free</b>  | <b>More</b>                                  | <b>Less</b> |
| Cromwell Property Group                        | CMW         | 9.17%  |  |             |
| Investa Office Fund                            | IOF         | 2.91%  |  |             |
| Westfield Group (Westfield Corp Scentre Group) | WDC/WFD/SCG |  |  | -1.87%      |
| Westfield Retail Trust (Centre Group)          | WRT/SCG     |  |  | -1.87%      |

#### Disclaimer

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