

# Wesfarmers Limited (WES) – Demerger

## Demerger Summary:

- **Demerger Allocation** – One share in Coles Group Limited (ASX: COL) for every share in Wesfarmers Limited (ASX: WES) on the record date (22 November 2018).
- **Demerger date** – 28 November 2018
- **Record date** – 22 November 2018
- **Cash received** – Nil. The demerger dividend was not received in cash, as WES shareholders received COL shares.
- **Return of capital amount** – \$5.68 for each entitled WES share. The return of capital was not received in cash, as WES shareholders received COL shares.
- **Demerger dividend amount** – \$7.17 for each entitled WES share. The demerger will be non-assessable non-exempt income.
- **Volume Weighted Average Price of COL** – \$12.8459
- **Demerger roll-over relief** – demerger roll-over relief is available
- **Cost base apportionment of original WES shares:**
  - 71.09% to WES
  - 28.91% to COL

## What is the structure of an initial investment in WES?

WES represents an investment in a fully paid ordinary share in Wesfarmers Limited.

## What is the structure of the new direct investment in COL?

COL represents an investment in a fully paid ordinary share in Coles Group Limited.

## What was the structure of the demerger?

Under the scheme of arrangement, WES shareholders received one COL share for every one WES share held on the record date as part of the demerger.

For tax purposes, the acquisition of the COL shares includes a demerger dividend amount of \$7.17 per WES share. The amount of the demerger dividend equates to the difference between the market value of one COL share on the demerger date and the capital reduction amount.

Based on the relative market values of the WES shares and corresponding COL shares on the demerger date, a reasonable apportionment of the cost base and reduced cost base of the original WES shares will be to attribute:

- 71.09% to WES
- 28.91% to COL

## What was the implementation date of the demerger?

28 November 2018.

## What does a WES shareholder hold after the implementation of the demerger?

After the demerger, WES shareholders will hold WES and COL shares.

## What are the income tax and CGT consequences of the demerger\*?

### *Demerger dividend*

The demerger dividend (being \$7.17 per WES share held) will not be assessable income to Australian resident WES shareholders. For non-resident WES shareholders, the dividend will not be assessable income in Australia and will not be subject to dividend withholding tax.

### *Return of capital (Change to cost base)*

WES shareholders will make a capital gain from CGT event G1 happening if the capital reduction amount for each WES, \$5.68, is more than the cost base of the WES share. Demerger roll-over enables a shareholder to choose to disregard a capital made as a result of a CGT event that happens to shares in WES under the demerger. For WES shareholders who choose demerger roll-over relief, any capital gain made when CGT event G1 happened is disregarded. These shareholders will be deemed as having acquired their COL shares under the demerger on the same date that the corresponding WES shares were acquired.

Irrespective of whether a WES shareholder chooses to apply demerger rollover relief, the cost base of the post-CGT WES shares just before the demerger must be reasonably apportioned between the post-WES shares as well as the new COL shares held just after the demerger. Based on the apportionment basis outlined in the ATO's class ruling ([CR 2018/59](#)).

### **What is the acquisition date of COL shares\*?**

For WES shareholders who choose demerger roll-over relief, their COL shares will be deemed to have been acquired on the same date that the corresponding WES shares were acquired.

### **How will the demerger dividend amount be treated for tax purposes for investors?**

The demerger dividend will be treated as unfranked dividend and 100% non-assessable and non-exempt income. The demerger dividend amount was \$7.17 per WES held. This amount was not received as a cash payment.

### **Has the ATO issued any rulings relating to the demerger?**

The ATO has issued Class Ruling [CR 2018/59](#) Wesfarmers Limited – demerger of Coles Group Limited which was released on 14 December 2018.

### **How is the transaction reported by us\*?**

#### *Demerger dividend*

The demerger dividend amount was \$7.17 per WES share held, treated as unfranked dividend and 100% non-assessable and non-exempt income. This amount was not received as a cash payment.

#### *Return of capital (Change to cost base)*

Demerger roll-over relief is available to WES shareholders who are Australian tax residents and hold post-CGT WES shares. Wrap has applied demerger roll-over relief for WES shares where roll-over relief is available.

Based on the relative market values of the WES shares and corresponding COL shares on the demerger date, apportionment of the cost base and reduced cost base of the original WES shares has been processed as follows:

- 71.09% to WES
- 28.91% to COL

\* This analysis is based on WES shareholders who Australian tax residents and acquired their WES shares after 20 September 1985.