

# Section 7. Taxation.

## 7.1 General

Set out below is a general summary of the Australian and New Zealand income tax, Goods and Services Tax (**GST**) and stamp duty implications of the Retail Entitlement Offer.

Neither APA nor any of its officers or employees, nor its taxation or other advisers, accept any liability or responsibility in respect of any taxation consequences of the Entitlement Offer or any associated statements made within this document.

The comments in this section cover the Australian and New Zealand taxation implications of the Entitlement Offer only if you (referred to in this section as **Eligible Retail Securityholder, Securityholder** or **you**):

- are an Eligible Retail Securityholder;
- are an Australian resident for Australian income tax purposes or a New Zealand resident for New Zealand income tax purposes; and
- hold your Existing Securities on capital account for Australian or New Zealand income tax purposes.

The comments do not apply to you if you:

- are a non-resident for Australian income tax purposes and a non-resident for New Zealand income tax purposes;
- hold your Existing Securities as revenue assets or trading stock (which will generally be the case if you are a bank, insurance company or carry on a business of share trading);
- are a resident for New Zealand income tax purposes but you have a permanent establishment in Australia for Australian income tax purposes;
- are subject to the Taxation of Financial Arrangements (**TOFA**) provisions contained in Division 230 of the Income Tax Assessment Act 1997 (Cth);
- acquired your Existing Securities in respect of which the Retail Entitlements are issued under any employee share scheme or where the New Securities are acquired pursuant to any employee share scheme; or
- acquired Retail Entitlements otherwise than because you are an Eligible Retail Securityholder.

This taxation summary is necessarily general in nature and is not an authoritative or complete statement of all potential tax implications for each Eligible Retail Securityholder. It is based on the Australian and New Zealand tax legislation and administrative practice in force as at the date of this Retail Offer Booklet. It does not take into account any financial objectives, tax positions or investment needs of Eligible Retail Securityholders. As the taxation implications of the Entitlement Offer will vary depending upon your particular circumstances, you should seek and rely upon your own professional tax advice before concluding on the particular taxation treatment that will apply to you.

In this section, we have referred to the following securities, which are stapled to form the Existing Securities, as "constituent securities":

- a unit in APT; and
- a unit in APTIT.

## 7.2 Australian tax considerations for Eligible Retail Securityholders

### 7.2.1 Issue of Retail Entitlements

The issue of a Retail Entitlement should be treated for Australian income tax purposes as an issue of two separate rights to acquire a new security in respect of each of the constituent securities. For the purposes of this summary, these rights are collectively referred to as the Retail Entitlement.

The issue of the Retail Entitlements should not, of itself, result in any amount being included in your assessable income.

### 7.2.2 Sale on ASX, or transfer, of Retail Entitlements

If you sell your Retail Entitlements on ASX or otherwise, you should derive a capital gain for capital gains tax (**CGT**) purposes.

Any capital gain that arises for you on sale of Retail Entitlements will be equal to the sale proceeds (or deemed market value capital proceeds if the Retail Entitlements are transferred for non-market value consideration in a dealing which is not considered at arm's length) less your cost base in the Retail Entitlements (e.g. any non-deductible costs incurred with respect to the disposal).

Australian resident individuals, trustees or complying superannuation entities that have held their Existing Securities for 12 months or more at the time of disposal of the Retail Entitlements should be entitled to apply the applicable CGT discount factor to reduce the capital gain (after offsetting current year or carried forward capital losses). The CGT discount factor is 50% for individuals and trustees and 33⅓% for complying superannuation entities.

The CGT discount is not available to companies that are not trustees. Trustees should seek specific tax advice regarding the tax consequences arising to beneficiaries under the CGT rules.

Eligible Retail Securityholders who are non-residents for Australian income tax purposes will not be subject to Australian income tax on any capital gain provided your Securityholding in APA (in aggregate) represents less than 10% of the total APA Securities on issue or, if your Securityholding is 10% or more, the Retail Entitlements do not constitute taxable Australian real property as defined in Subdivision 855-A of the Income Tax Assessment Act 1997 (Cth).

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### 7.2.3 Receipt of Retail Premium (if any) if Retail Entitlements are sold through the Retail Shortfall Bookbuild

Any New Securities that are not taken up by Eligible Retail Securityholders will be offered for sale via the Retail Shortfall Bookbuild process. Any Retail Premium paid to you as a result of the sale (on your behalf) of your Retail Entitlements into the Retail Shortfall Bookbuild should be taxable under the CGT provisions.

This treatment is consistent with the views of the Commissioner of Taxation in Taxation Ruling TR 2017/4, which applies to rights and retail premiums relating to shares. The ruling is applicable to the portion of the Retail Premium attributable to the units in APT and the same taxation treatment should apply to the portion of the Retail Premium attributable to the units in APTIT.

Consequently, the Australian income tax implications for Eligible Retail Securityholders who do not take up their Retail Entitlements in full should be as follows:

- Australian resident Eligible Retail Securityholders should derive a capital gain for CGT purposes equal to the amount of the Retail Premium received (assuming no eligible incidental costs are incurred);
- Australian resident Eligible Retail Securityholders who are individuals, complying superannuation entities or trustees that have held their Existing Securities for at least 12 months prior to the date their Retail Entitlements were issued should be entitled to the CGT discount in respect of any capital gain resulting from the Retail Premium received (after the application of any current year or carry forward capital losses); and
- Eligible Retail Securityholders who are non-residents for Australian income tax purposes should be entitled to disregard any capital gain that arises provided certain conditions are met – see Section 7.2.2 for further details.

APA will not withhold tax from Retail Premiums paid to Eligible Retail Securityholders.

### 7.2.4 Exercise of Retail Entitlements

No income tax or capital gains tax liability will arise for you on the exercise (i.e. taking up) of your Retail Entitlements.

If you take up all or part of your Retail Entitlements, you will acquire New Securities. Each New Security acquired upon exercising the Retail Entitlement will comprise two separate CGT assets, being a unit in APT and a unit in APTIT. Eligible Retail Securityholders that acquire New Securities will need to determine their cost base for each of these CGT assets on the basis of a reasonable apportionment of the Offer Price payable for each New Security (plus a reasonable apportionment of any non-deductible incidental costs incurred in acquiring them).

New Securities will be taken to have been acquired on the day you exercise the Retail Entitlement for CGT purposes.

### 7.2.5 Distributions on New Securities as a result of Retail Entitlements taken up

Any future distributions made in respect of New Securities will be subject to the same income taxation treatment as distributions made in respect of Existing Securities held in the same circumstances.

### 7.2.6 Disposal of New Securities

The disposal of a New Security will constitute a disposal for CGT purposes of each constituent security.

On any future disposal of New Securities, Eligible Retail Securityholders will make a capital gain if the capital proceeds on disposal exceed the total cost base of the New Securities (adjusted for any future tax deferred distributions made by APA to Securityholders), or a capital loss if the capital proceeds are less than the total reduced cost base of the New Securities. The cost base of each constituent security is determined as described above in Section 7.2.4.

Individuals, trustees or complying superannuation entities that have held New Securities for 12 months or more at the time of disposal should be entitled to apply the applicable CGT discount factor to reduce the capital gain (after offsetting current year or carried forward capital losses). The CGT discount factor is 50% for individuals and trustees and 33⅓% for complying superannuation entities.

New Securities will be treated for the purposes of the CGT discount as having been acquired when the Eligible Retail Securityholder exercised the Retail Entitlement. Accordingly, in order to benefit from the CGT discount in respect of a disposal of those New Securities, they must have been held for at least 12 months after the date of exercise before the disposal occurs.

If you make a capital loss, you can only use that loss to offset other capital gains (i.e. the capital loss cannot be used against assessable income). However, if the capital loss cannot be used in a particular income year it can be carried forward for use in future income years, provided certain tests are satisfied.

Eligible Retail Securityholders who are non-residents for Australian income tax purposes will not be subject to Australian income tax on any capital gain provided your Securityholding in APA (in aggregate) represents less than 10% of the total APA Securities on issue or, if your Securityholding is 10% or more, the New Securities do not constitute taxable Australian real property as defined in Subdivision 855-A of the Income Tax Assessment Act 1997 (Cth).

### 7.2.7 Other Australian taxes

No GST or stamp duty will be payable by you in respect of the issue or exercise of Retail Entitlements or the acquisition of New Securities. No GST or stamp duty will be payable in respect of the receipt of any payment as a result of allowing the Retail Entitlements to lapse.

To the extent you incur GST on costs that relate to the issue or exercise of Retail Entitlements or the acquisition of New Securities, you may not be entitled to recover such GST as an input tax credit. In this regard, we recommend that you seek independent taxation advice in respect of your individual taxation affairs.

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### 7.3 New Zealand tax considerations for New Zealand resident Eligible Retail Securityholders

#### 7.3.1 Issue of Retail Entitlements

The issue of the Retail Entitlements should not itself result in any amount being included in the assessable income of an Eligible Retail Securityholder.

#### 7.3.2 Sale or transfer of Retail Entitlements

If the Retail Entitlements are sold on ASX or otherwise transferred, the receipt of the consideration paid in exchange for the Retail Entitlements should not give rise to assessable dividend income or any other form of assessable income for the Eligible Retail Securityholder.

In the event that no consideration is paid to an Eligible Retail Securityholder as a result of transferring the Retail Entitlements, no New Zealand income tax consequences should arise to New Zealand resident Eligible Retail Securityholders.

#### 7.3.3 Receipt of Retail Premium (if any) if Retail Entitlements are sold through the Retail Shortfall Bookbuild

Eligible Retail Securityholders who choose not to take up some or all of their Retail Entitlements may receive proceeds in respect of the lapsing of Retail Entitlements as described in Section 7.2.3. The receipt of a Retail Premium by an Eligible Retail Securityholder should not give rise to assessable dividend income or any other form of assessable income for the Eligible Retail Securityholder.

In the event that no Retail Premium is paid to an Eligible Retail Securityholder as a result of the lapsing of their Retail Entitlements, no New Zealand income tax consequences should arise to New Zealand resident Eligible Retail Securityholders.

#### 7.3.4 Exercise of Retail Entitlements

Eligible Retail Securityholders who exercise their Retail Entitlements will be allocated New Securities. The exercise of Retail Entitlements and subsequent allocation of New Securities should not, in itself, result in any assessable income being derived by Eligible Retail Securityholders.

#### 7.3.5 New Securities

Eligible Retail Securityholders who exercise their Retail Entitlements will acquire New Securities. These New Securities will be subject to the same income tax treatment as Existing Securities held in the same circumstances under New Zealand's Foreign Investment Fund (FIF) rules. As the investment in APA is in the form of a stapled security we would not expect any exemptions from the FIF rules to apply.

Generally, the Fair Dividend Rate (FDR) method should apply to foreign investments such as the New Securities, under which Eligible Retail Securityholders would be taxed on deemed income equal to 5% of the market value of their investment at the beginning of each income year. Under the FDR rules, any dividends received or actual gains/losses on the investment will not be separately taxed. Where Eligible Retail Securityholders are individuals or certain family trusts they may elect instead for the New Securities and Existing Securities (together with all other qualifying investments) to be taxed on the movement in value over a year and including dividend receipts.

Under the FDR method, if an Eligible Retail Securityholder disposes of New Securities in the same income tax year as the New Securities are acquired, a specific "quick sale" adjustment would apply to calculate a taxable gain arising under a specific methodology.

As the tax treatment of the New Securities will depend on each Securityholder's specific circumstances, including the possible application of de minimis exemptions (e.g. where the total cost of all attributing interests in FIFs is less than NZ\$50,000), Eligible Retail Securityholders who are New Zealand tax residents should seek independent advice on how the FIF rules will apply to their investment.

#### 7.3.6 Taxation of Financial Arrangements

The New Zealand financial arrangement rules will not apply to the Retail Entitlements as a share, or option to acquire a share, is an excepted financial arrangement for the purposes of New Zealand's income tax legislation.

#### 7.3.7 Other New Zealand taxes

No New Zealand GST should be payable in respect of the grant or exercise of the Retail Entitlements or the acquisition of New Securities. New Zealand does not have a stamp duty or general CGT.