



Stockland Corporation Limited

133 Castlereagh Street
Sydney NSW 2000

T +61 (0)2 9035 2000
F +61 (0)2 8988 2000

www.stockland.com.au

GPO Box 998
Sydney NSW 2000

30 January 2015

Committee Secretary
Senate Economics References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir or Madam

Inquiry into corporate tax avoidance and minimisation

Thank you for your email of 27 October 2014 inviting Stockland to make a submission to the Senate Economic Reference Committee.

About Stockland

Stockland is Australia's largest diversified property group and a top 30 ASX listed company. We own, manage and develop shopping centres, logistics and business parks, office assets, residential communities and retirement living villages. Stockland was founded in 1952 with a vision to "not merely achieve growth and profits but to make a worthwhile contribution to the development of our great cities and country". This vision still holds true today and is underpinned by our purpose "we believe there is a better way to live". One of the great things about Stockland is how we contribute to the lives of hundreds of thousands of Australians every day. Every day 14 families will move into a new home in a Stockland community, more than 300,000 people will visit a Stockland shopping centre and more than 10,000 retirees will wake up in a Stockland retirement village.

We have a long-standing commitment to good governance, and our Board of Directors takes its governance responsibilities very seriously. Our Board believes it has the necessary mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation. The Board believes that Stockland's governance accords fully with the principles and recommendations of the ASX Corporate Governance Council.

Listed on the ASX as SGP, Stockland is a stapled entity which combines the activities of the Stockland Trust and Stockland Corporation. The Stockland Trust owns and rents retail, industrial and office properties to tenants. Stockland Corporation activities include our residential land development and developing and operating retirement living villages.

Investors purchase a stapled security in Stockland. They acquire one unit in Stockland Trust and one share in Stockland Corporation Ltd. These trade as a single security on the Australian Stock Exchange. The unit and share cannot be traded separately.

Stockland Tax Governance Framework

Stockland has adopted a robust Tax Governance Policy Framework which summarises its tax strategy as follows:

“Stockland’s tax strategy is to ensure all its tax affairs are conducted in a transparent, equitable and commercially responsible manner, whilst having full regard to all relevant tax laws, regulations and tax governance processes, to demonstrate good corporate citizenship.”

Trust Income

As Stockland Trust limits its activities primarily to deriving income from renting commercial property, and the Trust distributes **all** of its taxable income each year to its investors, the Trust is not subject to tax. However, all of the annual taxable income is subject to tax in the hands of Stockland’s investors. The rate of tax depends upon the investor’s circumstances. For example, an Australian individual is subject to tax at the applicable marginal tax rate plus Medicare Levy plus Debt Levy, where applicable. Non-resident investors are subject to the applicable withholding tax on distributions.

Stockland publishes all of its tax outcomes annually on its website including a guide for investors on how to complete their tax returns based on the taxable income earned by the Trust.

Corporate Income

The income earned by Stockland Corporation Ltd is subject to corporate tax at the prevailing rate (currently 30%). In the five years prior to the 2009 financial year, Stockland Corporation Ltd paid in excess of \$180m in Australian corporate tax. During the Global Financial Crisis (“GFC”), the residential development market deteriorated and the corporate group incurred accounting and tax losses from its residential lot development activities.

Response to Tax Justice Network report

Stockland complies with all relevant tax legislation in Australia. We do not use any overseas jurisdictions to minimise Australian tax. We have no material investments outside of Australia having sold our investments in real property in the United Kingdom, and are focused on our Australian business and the contribution we make to communities across the country.

The report released by United Voice and the Tax Justice Network in September 2014 (the “Report”), erroneously calculated the effective tax rate for Stockland by dividing the tax paid by Stockland Corporation Ltd by the combined accounting income of Stockland Trust and Stockland Corporation Ltd. In doing so, Stockland’s effective corporate tax rate was significantly understated. No consideration was given to the tax paid by investors on the taxable income distributed to them by the Trust. In recent years, the income of the Trust has been the vast majority (more than 90%) of the Stockland Group’s earnings.

Due to the difficult trading conditions encountered in the GFC, accumulated corporate tax losses during that period have not been fully absorbed by current earnings.

Stockland Trust has distributed taxable income to investors in each year covered by the Report. Investors would have been subject to their personal tax obligations. Non-resident investors would have been subject to the applicable withholding tax on distributions.



Property Council of Australia (PCA)

We are a long-standing member of the Property Council of Australia, the peak body representing the property sector. We strongly endorse the PCA submission to the Senate Committee.

If you have any queries in relation to the above, please contact Amy Menere

Yours sincerely

Mark Steinert
Managing Director and CEO
Stockland Corporation Limited

Tiernan O'Rourke
Chief Financial Officer
Stockland Corporation Limited