PROPOSED CONSTITUTIONAL CHANGES TO MEET REQUIREMENTS FOR NEW TAX SYSTEM FOR MANAGED INVESTMENT TRUSTS

IMPORTANT NOTICE PURSUANT TO SECTION 601GCA OF THE CORPORATIONS ACT 2001

FREEHOLD AUSTRALIAN PROPERTY FUND

On 5 May 2016, the government enacted changes to the taxation of managed investment trusts (MITs). Eligible MITs that elect into the new regime are referred to as attribution managed investment trusts (AMITs) and are generally taxed under Division 276 of the *Income Tax Assessment Act 1997* (AMIT Regime). The key feature of the AMIT Regime is members are taxed on AMIT income attributed to them by the responsible entity on a fair and reasonable basis.

Responsible Entity Partners Limited ACN 119 757 596 (Sargon) as the Trustee of the Freehold Australian Property Fund (Fund) proposes to amend the Fund’s constitution to enable Sargon to operate the Fund as an AMIT.

Sargon believes the potential benefits of operating under the AMIT Regime include the following:

- Additional tax certainty and reduced compliance costs.
- Fairer tax outcomes for members under the AMIT Regime’s attribution of taxation income as compared with the “present entitlement” tax regime, which otherwise applies to trusts.
- Deemed “fixed trust” treatment providing a certainty about an AMIT’s ability to carry forward and deduct tax losses and enable imputation credits to flow to members.
- Ability to treat a class of units as though it were a separate trust, and apply the attribution method only to that class.
- Fairer cost base adjustments and reduced potential for double taxation by allowing for cost base adjustments where distributions are less than the taxable income assessed to the member.

Sargon will modify the constitution as proposed unless it receives requests to call and arrange to hold a meeting of the Fund’s members to consider and vote on a special resolution to modify the constitution from members with at least 5 percent of the votes that may be cast on the resolution by 5:00pm (AEDT) on 28 June 2019.

Requests to call a meeting must be made in writing and may be sent to the following email address: contact@sargon.com.au.

If 5 percent or more of the total number of members request a meeting by 5:00pm (AEDT) on 28 June 2019, a member’s meeting will be held to vote on a resolution to approve the proposed amendments to the constitution.

If no such meeting is requested, then Sargon will modify the constitution by executing a supplementary constitution and lodging it with the Australian Securities and Investments Commission, without the need for member approval.

A copy of the proposed modifications is available to members on request. If you have any queries, please contact us on 03 9097 2800.