



6 December 2017

Important notice to investors

Centuria Metropolitan REIT

Attribution Managed Investment Trust Regime (AMIT)

Notice of proposal to amend Constitution to participate in the new tax regime

Purpose

The purpose of this notice is to inform investors in the Centuria Metropolitan REIT (**Trust**) of which Centuria Property Funds Limited (**CPFL**) is the responsible entity, that:

- a) CPFL will amend the Constitution of the Trust to enable the Trust to operate as an AMIT under the AMIT regime; and
- b) CPFL will elect for the Trust to opt into the AMIT regime from 1 July 2017.

Typically, an investors' meeting must be held in order to make any material change to a registered scheme's constitution. In the context of changes required to the constitution to allow a trust to elect into AMIT, the Australian Securities and Investments Commission (**ASIC**) has granted relief such that an amendment to a trust's constitution may be made without investor approval, providing that notice is given to investors to explain the changes. This notice is given in satisfaction of this requirement.

Background to the AMIT regime

The AMIT regime introduces new tax rules for managed investment trusts. The new rules are intended to reduce complexity, provide flexibility, increase certainty and minimise compliance costs for AMITs and their investors.

The AMIT regime was enacted on 5 May 2016 under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016* and certain ancillary legislation. In order for the AMIT regime to apply, CPFL must elect for the Trust to apply the AMIT regime.

Under the existing tax regime for trusts, investors are taxed on their proportionate share of taxable income, with the proportion determined by reference to the proportion of the income of the trust to which they are 'presently entitled'. The concept of 'present entitlement' is based on trust law principles and therefore can lead to uncertainty and complexity.

Under the AMIT regime, investors will be assessed on the taxable income that is 'attributed' to them by the trust on a 'fair and reasonable' basis.

Why is CPFL proposing changes to the Constitution?

CPFL considers that electing into the AMIT regime is in the best interest of investors in the Trust. To enable the Trust to elect into and operate under the AMIT regime, CPFL is required to make certain changes to the Constitution.



Effects of proposed amendments to the Constitution

The amendments to the Constitution should facilitate the Trust's entry into and operation under the AMIT regime. The entry into the AMIT regime is expected to have the following potential benefits for members in the Trust:

- Certainty around attribution of income to investors - there will be greater clarity and certainty associated with the attribution of taxable income to investors, in contrast to the current concept of 'present entitlement'.
- Upward cost base adjustments - the AMIT regime removes the potential for double taxation that may arise for investors where there are mismatches between amounts distributed and the taxable income of the trust. If the taxable income allocated to investors exceeds the cash distributed, investors will have increasing adjustments to the cost base of their investment in the trust. An upward adjustment is not currently available under the existing MIT rules.
- Administration of over / unders – the AMIT regime legislates rules for reconciling errors in the taxable income attributed to investors in prior years by allowing those errors to be rectified in the year of discovery. Under the current law, there is no legislated under/over regime and technically, trusts are required to reissue annual tax statements and for investors to amend prior year tax returns.
- Deemed fixed trust status – AMITs will be deemed to be a fixed trust under the AMIT rules, which provides greater certainty in relation to the trust's satisfaction of the following:
 - Trust loss rules for carrying forward trust losses;
 - Eligibility for CGT scrip-for-scrip rollover relief; and
 - Ability to distribute franking credits (if relevant).

When is CPFL electing to apply the AMIT regime?

CPFL has decided to elect into the AMIT regime for the Trust commencing from 1 July 2017, subject to the relevant qualification conditions being satisfied. In making this decision, CPFL considered a range of factors, including the potential benefits outlined above.

When will the changes take effect?

CPFL intends to make the changes to the Constitution shortly after this notice has been advertised to members for at least 7 days (see below).

What do I need to do?

If you are an investor and you do not object to the proposed amendments to the Constitution, you do not have to do anything and there is no need to respond to this notice.

CPFL will modify the Trust's Constitution as proposed unless it receives requests within **7 days from the date of this notice** from investors in the Trust with at least 5% of the votes that may be cast, to call and arrange to hold a meeting of the Trust's investors.



If you wish to request a meeting of the Trust's investors to vote on the changes to the Constitution as provided in this notice, you must send a request in writing which is received by 5pm AEST on 3 November 2017. Your request must state your name, valid account number or investor ID and contact details. Your request may be sent to the following contacts:

By mail to:

Centuria Property Funds Limited
Reply Paid 695, Melbourne VIC 8060
(no stamp required)

Or by email to:

Investor Enquiries
Enquiries@centuria.com.au

Should CPFL within 7 days of this notice receive requests to call and arrange a meeting of investors from investors who have at least 5% of the votes that may be cast on the resolution of the meeting, it will call a meeting of investors. You will receive notice of a meeting, in writing, if this is required.

What are the proposed changes to the Constitution?

CPFL will amend the Constitution to allow the Trust to be operated in a manner permitted under the AMIT regime. Subject to the comments above, CPFL will make these amendments effective from 1 July 2017. A copy of the proposed amendments to the Constitution are available free of charge by contacting CPFL via the contact details mentioned above.

Further information

This notice is given in accordance with subsection 601GCA(3) of the Corporations Act 2001 as inserted by ASIC Instrument 2016/489.

If you have any questions about the proposed changes to the Constitution or the Trust's entry into the AMIT regime, please contact 1300 22 44 24 or visit our website, www.centuria.com.au.