

# Updated information for Westpac Protected Equity Loan Plus from 13 May 2008

As indicated in the PDS for the Westpac Protected Equity Loan Plus (**Westpac PEL Plus**) dated 9 March 2004, where information in the PDS changes and that information is not materially adverse, Westpac will provide the information on this website. A paper copy of this information will be given to you without charge on request by contacting Westpac's Information Line on 1800 990 107.

The information in the PDS for the Westpac PEL Plus is updated as follows.

In the PDS for the Westpac PEL Plus, the section entitled 'Allens Arthur Robinson Tax Opinion' indicated that the Federal Government announced on 16 April 2003 that it intended to amend the tax legislation to ensure that the cost of capital protection provided in products such as the Westpac PEL Plus would not be tax deductible to an investor. In the interim, the Australian Taxation Office (**ATO**) required that the cost of capital protection be identified separately from interest as the explicit purchase price of a put option, computed in accordance with Press Release No C046/03, released on 30 May 2003 by the Minister for Revenue and Assistant Treasurer. Consequently, the PDS not only explained that the purchase price of the put option paid by an investor was not deductible, but also how an investor should calculate the cost of any deemed put option referable to the interest incurred (other than the put option) with respect to their Westpac PEL Plus (eg, for a Westpac PEL Plus with a term of 5 years, 15% of the interest charged would be attributable to the cost of capital protection).

While the amending legislation has now been enacted to insert Division 247 into the *Income Tax Assessment Act 1997*, the amendments only apply to capital protected borrowings entered into on or after 1 July 2007. Therefore, as all investors acquired their Westpac PEL Plus prior to this date, the provisions in Division 247 have not historically applied to Westpac PEL Plus' or the 12 month interest loans taken out by investors to fund the cost of the upfront interest expense on their Westpac PEL Plus. Therefore, investors have been required to continue to follow the principles set out in the PDS.

On 13 May 2008, as part of the Federal Budget, the Treasurer announced that the Federal Government will amend Division 247 to change the rate used to calculate the deemed cost which is attributable to the capital protected feature of a capital protected borrowing. It is proposed that the rate will be amended from the Reserve Bank of Australia's variable indicator rate for personal unsecured loans to the Reserve Bank of Australia's variable indicator rate for standard housing loans. It is intended that the new law will apply to capital protected borrowings entered into from 7.30pm (AEST) on 13 May 2008.

While there is no certainty as to the drafting of the proposed amendments to Division 247, should an investor apply for an interest loan (with a 12 month term) to fund the upfront payment of the interest expense on their Westpac PEL Plus after 7.30pm on 13 May 2008, based on the current drafting of Division 247, any new loan applied for by an investor is likely to constitute a new borrowing, and would thus be subject to the amended Division 247. The tax treatment of an investor's Westpac PEL Plus would not change.

Based on the current interest rate charged by Westpac on an interest loan taken out by an investor referable to their Westpac PEL Plus, compared to the Reserve Bank of Australia's variable indicator rate for standard housing loans, Westpac anticipates that investors will not be adversely affected from applying the proposed legislation. This is on the basis that, based on current rates, the deductibility of interest incurred on an investor's interest loan under the proposed Division 247 should not be less than under the Interim Approach outlined in the PDS, which would have applied for determining the deduction for interest, if the law were not to change as announced in the Federal Budget.

This is not tax advice to an investor. Each investor should seek their own independent tax advice relevant to their own circumstances.