Westpac Shareholder Tax Information Guide for off-market share buy-back

The purpose of this tax information guide is to assist Westpac Banking Corporation (**Westpac**) Shareholders who sold their shares in the off-market share buy-back (**Buy-Back**) which completed on 14 February 2022.

Please be aware that the information contained within this tax information guide is general in nature and should not be relied upon as advice. The tax implications for each Shareholder will depend on the circumstances of the particular Shareholder. Accordingly, all Shareholders are encouraged to seek their own professional advice in relation to their tax position. Neither Westpac nor any of its officers, employees or advisors assumes any liability or responsibility for advising shareholders about the tax consequences of the Buy-Back.

Shareholders should also refer to section 2 "Tax consequences for Shareholders" of the original off-market buy-back booklet dated 1 November 2021 (**Original Booklet**) and section 2 "Tax consequences for Westpac Shareholders" of the supplementary booklet dated 10 December 2021 (**Supplementary Booklet**) for further details of the tax implications of the Buy-Back.

Unless otherwise stated, terms defined in this tax information guide have the meaning given to them in the Original Booklet and the Supplementary Booklet.

Summary of Tax Components (per Share)

(A)	Dividend Component
(B)	Franking credits for shareholders who are entitled to franking credits[1]
(A) + (B)	**Fully franked Dividend Component (including gross up for franking credits)**
(C)	Capital Component
(D)	Tax Value
(E)	Buy-Back Price
(D) – (E) = (F)	Excess of Tax Value over Buy-Back Price
(C) + (F)	**Deemed Capital Proceeds for CGT**

[1] See Section 2.2.3 "Franking credit entitlements" of the Original Booklet for details of the 45-day rule and specific concessions which may apply.

Australian Taxation Office (ATO) Class Ruling

The ATO has advised that it intends to issue its Class Ruling related to the Buy-Back by the middle of March 2022. A copy of the Class Ruling will be available at westpac.com.au/buyback and the ATO website at ato.gov.au.

The Class Ruling is not expected to apply to Shareholders who have elected for the taxation of financial arrangement provisions to apply in respect of their Shares or for Shareholders who acquired their Shares under an Employee Share Scheme.

Dividend Component

Based on a Buy-Back Price of $20.90 per share, the ATO Class Ruling is expected to confirm that the Dividend Component of the Buy-Back Price will be A$9.56 per Share.

Tax implications of the Dividend Component for Shareholders

Resident Shareholders

You must include in your assessable income, for each Share disposed of under the Buy-Back:

- a deemed dividend equal to the Dividend Component; and
- if you are entitled to the benefit of a tax offset, the franking credits attached to the Dividend Component.

If you are entitled to the benefit of franking credits on the Dividend Component, you should be entitled to a tax offset equal to the amount of the franking credits.

Non-resident Shareholders

If you are a non-resident Shareholder who does not carry on business through a permanent establishment in Australia, the Dividend Component should not be subject to Australian income tax or Australian withholding tax (as the Dividend Component will be fully franked).

Tax implications of the Capital Component for Shareholders

Resident Shareholders

Shareholders participating in the Buy-Back will be deemed, for CGT purposes, to have disposed of each Share for the Capital Component of $11.34 plus the amount (if any) by which the Tax Value exceeds the Buy-Back Price (**Capital Proceeds**). The date of disposal will be taken, for CGT purposes, to be 14 February 2022.

Based on a Tax Value of $24.14 per Share and Buy-Back Price of $20.90 per Share, the deemed Capital Proceeds per Share is $14.58.

The Tax Value has been calculated in accordance with the ATO Tax Determination TD 2004/22 and Practice Statement PSLA 2007/9 (which includes an adjustment to take into account the 2021 Full Year Dividend).

As outlined in Westpac's announcement on 14 February 2022, as part of calculating the Tax Value, the ATO accepted that the Tax Value should be calculated by reference to the movement in the S&P/ASX 200 Banks Index over the Buy-Back Period. This is different to the position as reflected in the Original Booklet and the Supplementary Booklet and online tax calculator, which described the ATO's standard methodology where the Tax Value is calculated by reference to the movement in the S&P/ASX 200 Index. Having regard to the movement in the Westpac share price over the Buy-Back Period, the ATO agreed that using the S&P/ASX 200 Banks Index (rather than the S&P/ASX 200 Index) provided a more appropriate way of calculating the Tax Value. The use of the S&P/ASX 200 Banks Index has resulted in a lower Tax Value (compared to the position if the Tax Value had been calculated by reference to the movement in the S&P/ASX 200 Index) and, in turn, a lower amount of deemed Capital Proceeds for Shareholders who sell their Shares into the Buy-Back.

You will generally make a capital gain on a Share disposed of under the Buy-Back if the deemed Capital Proceeds exceed the CGT cost base of your Share. Alternatively, you will generally make a capital loss for a Share disposed of under the Buy-Back if the CGT cost base of your Share exceeds the deemed Capital Proceeds.

Non-resident Shareholders

If you are a non-resident Shareholder you will only have CGT consequences if the Shares you sold under the Buy-Back are 'taxable Australian property'.