Wesfarmers Limited Shareholder Tax Information Guide

Proposed Capital Management Initiative

to occur during the income year ended 30 June 2015

The purpose of this tax information guide is to assist Wesfarmers shareholders to understand the tax implications of the proposed capital management initiative to be undertaken by Wesfarmers during the income year ended 30 June 2015.

The proposed capital management initiative is made up of:

- a capital management distribution, comprising a capital component and a divided component; and
- a share consolidation relating to the return of capital.

If the return of capital and the share consolidation are approved by shareholders at the 2014 Annual General Meeting on Thursday, 20 November 2014, the capital management distribution will result in a distribution to shareholders of $1.00 per share comprising:

- a return of capital of 75 cents per share; and
- a fully-franked dividend of 25 cents per share,

representing a total payment to shareholders of approximately $1,143 million (comprising approximately $857 million return of capital and $286 million fully-franked dividend).

The return of capital of 75 cents per share will be accompanied by an equal and proportionate consolidation of share capital through the conversion of each share into 0.9827 shares.

If approved, the capital management distribution will be paid to eligible shareholders on Tuesday, 16 December 2014.

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 Wesfarmers nor any of its officers, employees or advisors assumes any liability or responsibility for advising shareholders about the tax consequences of the capital management initiative.

The tax implications of the capital management initiative may vary for Wesfarmers employee shareholders who hold their shares within a Wesfarmers employee share plan trust. Where the tax implications vary, Wesfarmers will write to affected employees providing guidance on the tax implications arising as a consequence of the capital management initiative. If an employee shareholder is not provided with a separate communication from Wesfarmers in relation to the tax implications, the below information will apply.

Australian Taxation Office (ATO) Class Ruling

Wesfarmers has obtained a Class Ruling CR 2014/76 from the ATO which governs the Australian tax treatment of the capital management initiative to Wesfarmers shareholders who hold their shares on capital account. A copy of the Class Ruling is available from the Wesfarmers website (**www.wesfarmers.com.au**). The Class Ruling does not apply to Wesfarmers shareholders who hold their shares on revenue account or as trading stock, or for shareholders who have elected for the Taxation of Financial Arrangement provisions to apply in respect of their shares.

Return of Capital

Wesfarmers proposes to make a cash payment to shareholders of 75 cents per share as a return of capital.

If the return of capital and the accompanying equal and proportionate share consolidation are approved by shareholders at the 2014 Annual General Meeting, payment will be made to eligible shareholders, being registered holders of Wesfarmers shares as at 4:00 pm (Perth time) on Friday, 28 November 2014.

The last date to purchase shares which are eligible to receive the return of capital is Tuesday, 25 November 2014. Therefore, shares purchased on or after Wednesday, 26 November 2014 (the next trading day after Tuesday, 25 November 2014) will not be eligible for the return of capital.

Tax implications of the return of capital for Wesfarmers shareholders

Resident shareholders

For those Wesfarmers shareholders who are tax residents of Australia and hold their shares on capital account at the time the return of capital is paid, the Class Ruling confirms that no part of the return of capital will be treated as a dividend for Australian income tax purposes. In addition, it is the ATO’s view that:

- the cost base for each Wesfarmers share acquired after 19 September 1985 will be reduced by the return of capital amount (on a cents per share basis) for the purpose of calculating any capital gain or capital loss on the ultimate disposal of that share; and

- if the cost base (after any adjustment, as may be relevant, for any indexation or any previous return of capital) of a Wesfarmers share acquired after 19 September 1985 is less than the return of capital amount (on a cents per share basis), then an immediate capital gain may arise for the difference. The capital gain will be a discount capital gain for shareholders that are an individual, trust or complying superannuation fund and acquired their shares at least 12 months before the payment date of Tuesday, 16 December 2014. The discount factor for resident individuals and trusts is one half and for complying superannuation funds is one third.

No capital gain or capital loss will arise in respect to a Wesfarmers share acquired on or before 19 September 1985.

Non-resident shareholders

For those Wesfarmers shareholders who are not tax residents of Australia and hold their shares on capital account, no Australian tax implications should arise as a consequence of the return of capital.

Non-resident shareholders should seek specific advice in relation to the tax consequences arising from the return of capital under the laws of their country of residence.

Share Consolidation

Wesfarmers proposes to consolidate its share capital through the conversion of every one share into 0.9827 shares.

Where the consolidation of a shareholder's holding results in an entitlement to a fraction of a share, the fraction will be rounded up to the nearest whole number of shares.

If the consolidation is approved by shareholders at the 2014 Annual General Meeting, the consolidation will take effect on and from Monday, 1 December 2014.

Tax implications of the share consolidation for Wesfarmers shareholders

The share consolidation will be undertaken in accordance with section 254H of the Corporations Act. Subject only to rounding, there will be no change to the proportionate interests held by each shareholder in Wesfarmers as a result of the consolidation.

Accordingly, the Class Ruling confirms no capital gains tax event will occur as a result of the share consolidation. Therefore, no Australian tax liability should arise as a consequence of the share consolidation for Wesfarmers shareholders who hold their shares on capital account.

The cost base and reduced cost base in a Wesfarmers shareholder's consolidated shares will be based on the cost base and reduced cost base of their original shares at the time of the consolidation (which will include the cost base reduction for the return of capital discussed above) and which affects the consolidation ratio. For capital gains tax purposes (including for the purposes of determining the eligibility for the capital gains tax discount concession on a subsequent capital gain), the consolidated shares will be taken to have been acquired on the same date as the corresponding original shares.

Fully-franked Dividend

Wesfarmers proposes to make a cash payment to shareholders of 25 cents per share as a fully-franked dividend.

Payment will be made to eligible shareholders, being registered holders of Wesfarmers shares as at 4:00 pm (Perth time) on Friday, 28 November 2014.

The last date to purchase shares which are eligible to receive the fully-franked dividend is Tuesday, 25 November 2014. Therefore, shares purchased on or after Wednesday, 26 November 2014 (the next trading day after Tuesday, 25 November 2014) will not be eligible for the fully-franked dividend.

Tax implications of the fully-franked dividend for Wesfarmers shareholders

Resident shareholders

For those Wesfarmers shareholders who are tax residents of Australia, the fully-franked dividend as well as the amount of franking credits attached to the dividend will be assessable. The shareholder will generally be entitled to a tax offset (rebate) corresponding to the amount of the franking credits.

Generally, to be eligible for the franking credit and tax offset, the shareholder must have held the share 'at risk' for at least 45 days (not including the date of acquisition or the date of disposal). This rule should not apply to an individual whose tax offset entitlement (on all shares and interests in shares held) does not exceed $5,000 for the income year in which the dividend is paid. If a shareholder enters into put or call options (or other derivatives) in relation to shares, this may affect whether the shareholder holds the shares sufficiently 'at risk' for the purposes of the franking rules, and specific advice should be sought.

For a shareholder who is an individual, a complying superannuation entity or a registered charity (in certain circumstances), the shareholder will generally be entitled to a tax refund to the extent that the franking credits attached to the dividend for the income year exceed the shareholder's tax liability for the income year.

For a shareholder that is a company, the dividend received from Wesfarmers will generally give rise to a franking credit in the company's franking account.

A shareholder that is a beneficiary of a trust or a partner in a partnership should obtain their own specific advice.

Non-resident shareholders

For those Wesfarmers shareholders who are not tax residents of Australia, the fully-franked dividend will not be assessable income nor subject to dividend withholding tax.

Non-resident shareholders should seek specific advice in relation to the tax consequences arising from the fully-franked dividend payment under the laws of their country of residence.

<u>Illustrative Examples: Adjustment to cost base for return of capital and share consolidation</u>

Set out below are two illustrative examples of how a Wesfarmers shareholder would adjust the cost base of his/her shares for the return of capital and share consolidation.

All information quoted below is in Australian dollars.

* Initial cost base and initial number of shares are already adjusted for prior returns of capital and share consolidations, where relevant.

Example 1: A Wesfarmers shareholder with one tranche of purchases in holdings

Initial cost base			
Purchase date	Initial total cost base*	Initial number of shares*	Initial cost base per share
	A	**B**	**C = A/B**
March 2007	$3,500	100	$35.00
Capital return and consolidation			
$0.75 per share paid (100 shares x $0.75 per share = $75.00)			
Consolidation of shares (100 shares at 0.9827 consolidation rate) = 99 shares (98.27 shares rounded up)			
Calculation of new cost base			
Purchase date	Reduced total cost base (Initial cost base less capital return)	Reduced number of shares (adjusting for rounding)	Reduced cost base per share
	D = A - (B x $0.75)	**E = B x 0.9827**	**F = D/E**
March 2007	$3,425	99	$34.60

Example 2: A Wesfarmers shareholder with multiple tranches of purchases in holdings

Initial cost base			
Purchase date	Initial total cost base*	Initial number of shares*	Initial cost base per share
	A	**B**	**C = A/B**
June 2000	$1,500	150	$10.00
March 2004	$5,000	200	$25.00
March 2007	$3,500	100	$35.00
Total	$10,000	450	
Capital return and consolidation			
$0.75 per share paid (450 shares x $0.75 per share = $337.50)			
Consolidation of shares (450 shares at 0.9827 consolidation rate) = 443 shares (442.215 shares rounded up)			
Calculation of new cost base			
Purchase date	Reduced total cost base (Initial cost base less capital return)	Reduced number of shares (adjusting for rounding)	Reduced cost base per share
	D = A - (B x $0.75)	**E = B x 0.9827**	**F = D/E**
June 2000	$1,387.50	147	$9.44
March 2004	$4,850	197	$24.62
March 2007	$3,425	99	$34.60
Total	$9,663	443	

Note: Rounding of shares for individual years is shown for indicative purposes only.