

## ASX Release

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### Demerger of WOTSO Limited – ATO Class Ruling

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The Australian Commissioner of Taxation has today issued Class Ruling CR 2020/11 (**Class Ruling**) covering the Australian income tax implications of the demerger of WOTSO Limited (**WOTSO**) for shareholders of BlackWall Limited (**BlackWall**).

The Class Ruling confirms the availability of demerger tax relief for certain BlackWall shareholders.

Demerger tax relief gives certain BlackWall shareholders the choice to defer the Australian capital gains tax (CGT) consequences that arise as a result of a BlackWall shareholder receiving WOTSO shares under the demerger. This broadly means that where a BlackWall shareholder chooses demerger tax relief, they will not be subject to Australian CGT until they sell their WOTSO or BlackWall shares.

The Class Ruling also confirms the dividend component of the demerger distribution of WOTSO shares is not subject to tax in Australia.

BlackWall has prepared a tax information guide to assist Australian resident shareholders of BlackWall in calculating the cost base allocation of their BlackWall and WOTSO shares. A copy of the tax information guide is attached to this announcement and is also made available on the BlackWall website.

The Class Ruling can be accessed via the BlackWall website at [www.blackwall.com.au](http://www.blackwall.com.au).

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Authorised for lodgment by  
Sophie Gowland  
Company Secretary

## **Demerger of WOTSO Group Limited**

### **Tax information guide for Australian resident BlackWall shareholders**

BlackWall Limited (**BlackWall**) completed the demerger of WOTSO Group Limited (**WOTSO**) on 8 January 2020.

It is recommended that all BlackWall shareholders consult with a professional tax advisor regarding the taxation implications of participating in the demerger given the particular circumstances that apply to them.

The purpose of this tax information guide is to set out how an Australian resident shareholder of BlackWall (**BlackWall shareholders**) should allocate the capital gains tax (**CGT**) cost base of their BlackWall shares between their BlackWall and WOTSO shares.

As part of the demerger, BlackWall applied to the Australian Commissioner of Taxation (**Commissioner**) for a class ruling confirming certain income tax implications of the demerger for BlackWall shareholders. The Commissioner issued Class Ruling CR 2020/11 (**Class Ruling**), in accordance with the application made by BlackWall. A copy of the Class Ruling is available on the BlackWall website at [www.blackwall.com.au](http://www.blackwall.com.au).

#### **CGT cost base allocation calculation**

BlackWall shareholders will be required to apportion the total of the cost bases of their BlackWall shares held just before the demerger between:

- the BlackWall shares held by the shareholder just after the demerger; and
- the WOTSO shares distributed to that shareholder.

The apportionment must be done on a reasonable basis having regard to the market values of the BlackWall shares and the WOTSO shares just after the demerger and must be undertaken irrespective of whether a BlackWall shareholder chooses to apply demerger tax relief.

In the Class Ruling, the Commissioner confirmed that the cost base apportionment should be based on the difference in BlackWall's market price prior to and after the demerger. The Commissioner accepted that a reasonable approximation of that difference is determined by reference to the volume weighted average price (VWAP) of the BlackWall shares as traded on the Australian Securities Exchange on a deferred settlement basis over the ten trading days prior, relative to the ten trading days after, the ex capital return date (3 January 2020).

In paragraph 14 of the Class Ruling, the Commissioner accepted that the cost base of a BlackWall shareholder's BlackWall shares just before the demerger should be allocated:

- 80% to their BlackWall shares; and
- 20% to their corresponding WOTSO shares.

BlackWall shareholders that apportion the cost base of their shares on this basis should adopt the methodology consistent with the approach accepted by the Commissioner.

For the purposes of applying the CGT discount on a subsequent disposal of WOTSO shares, the WOTSO shares received will be taken to have been acquired on the same date as the original BlackWall shares.

**Example:**

Under the BlackWall demerger of WOTSO, BlackWall shareholders received one WOTSO share for every BlackWall share they were registered as holding at 5pm Sydney time on 2 January 2020 (**the Record Date**).

Sienna held 1,000 BlackWall shares on the Record Date. Sienna worked out that the aggregated cost base of her BlackWall shares immediately before the demerger was \$500 or \$0.50 per share (\$500 / 1,000 shares).

The adjusted cost base of Sienna's 1,000 BlackWall shares after the demerger would be \$400 (80% of \$500) or \$0.40 per share (\$400 / 1,000 shares) and the cost base of Sienna's 1,000 WOTSO shares would be \$100 (20% of \$500) or \$0.10 per share (\$100 / 1,000 shares).

The adjusted cost bases will be relevant for determining the capital gain or capital loss arising from a future disposal of Sienna's BlackWall and WOTSO shares.