GUIDE TO THE 2017 NATIONAL STORAGE REIT ANNUAL TAXATION STATEMENT

ABOUT THIS GUIDE

This guide has been prepared to assist you to complete your income tax return for the year ended 30 June 2017. It provides general information only and does not constitute, and should not be relied on as, taxation, financial or any other advice. We recommend you seek assistance from a professional tax advisor or the Australian Taxation Office (**ATO**) when completing your tax return.

This guide should only be used if:

- You are an individual investor (i.e. not a company, trust, superannuation fund or other vehicle) and you were an Australian resident for income tax purposes for the entire year ended 30 June 2017;
- You hold your National Storage REIT (**NSR**) securities on capital account and the Capital Gains Tax (**CGT**) provisions apply to you (i.e. you hold the securities for investment purposes rather than for the purpose of resale); and
- You are using the *Tax return for individuals 2017* and *Tax return for individuals (supplementary section) 2017* to complete your income tax return.

If you hold your NSR securities on revenue account, are a non-resident for income tax purposes or you are a superannuation fund, company, partnership or trust investor you should seek further information from a professional tax adviser as to the tax implications of receiving NSR distributions.

Your tax statement does not include any capital gains or capital losses that may have resulted from your disposal of NSR securities during the financial year. If you have transferred or disposed of securities during the financial year, you will need to separately calculate the gain or loss on the transaction based on your investment records and include it in your income tax return.

ABOUT YOUR TAX STATEMENT

An NSR stapled security comprises one unit in National Storage Property Trust (**the Trust**) and one share in National Storage Holdings Limited.

Your 2017 NSR Annual Tax Statement includes distributions declared and paid by NSR in relation to the year ended 30 June 2017 and may include interim distributions. In relation to the year ended 30 June 2017, all distributions were paid by the Trust.

Under Australian income tax law, unit holders in a trust include a proportionate share of the income of the trust in their taxable income. The trust distributions are recognised for income tax purposes in the income year the unit holders become 'presently entitled' to the distribution (i.e. rather than on the date of receipt).

If you hold NSR securities through more than one holding, you may receive a separate annual tax statement for each investment. While completing your income tax return include the total of each item from all the annual tax statements that you have received that pertain to the 30 June 2017 year.

Distributions made by NSR may include non-primary production income, capital gains, franked distributions, foreign sourced income and tax-deferred distributions. Each component is explained below.

NON-PRIMARY PRODUCTION INCOME

This component of your distribution comprises income such as rental income and interest income derived from Australian sources. The total of this component is included at **item 13U** '**Share of net income from trusts, less capital gains, foreign source income and franked distributions'** of the income tax return.

If your annual distribution statement includes any amounts shown as '**Other deductions relating to amounts shown at O, U and C'**, include this amount at **item 13Y** of your income tax return.

CAPITAL GAINS

Discounted capital gains – TAP/non-TAP

This component of your distribution comprises capital gains made by the Trust on disposal of Taxable Australian Property (**TAP**) assets and non-TAP assets to which a 50% discount has been applied for taxation purposes. The 'discount method' is used to calculate capital gains made from CGT assets that have been held for more than 12 months.

The TAP/non-TAP distinction is only relevant for non-resident taxpayers. This is because Australian resident taxpayers are assessable on all capital gains, whether they are from TAP or non-TAP assets.

CGT concession – TAP/non-TAP

The CGT concession amount represents the non-assessable CGT discount amount that has been included in your distribution from the Trust. This amount is not included in your assessable income and does not form part of your Tax Deferred Amount.

TAX DEFERRED AMOUNTS

The tax deferred component of your distribution reflects cash distributions in excess of assessable/taxable amounts distributed by the Trust. This difference usually arises as a result of items such as tax depreciation and capital allowance deductions, etc.

Tax deferred distributions are generally not assessable in the year received but they should reduce the CGT cost base of your units in the Trust. Should your cost base be reduced to nil, any further tax deferred distributions should give rise to capital gains (that may be eligible for the 50% CGT discount).

The CGT rules can be complex. For further information, please refer to the ATO publication *Guide to capital gains tax 2017* or seek assistance from a professional tax advisor.

ASSESSABLE FOREIGN SOURCE INCOME

You should include at **item 20E** '**Assessable foreign source income'** the assessable foreign source income amount of the distribution from NSR.

FOREIGN INCOME TAX OFFSET

Your distribution may include a foreign income tax offset. This foreign income tax offset represents foreign income taxes paid on the Trust's assessable foreign source income. If your total foreign income tax offset from all sources for the year is $1,000 or less, then you can claim this amount in full at **item 20O** '**Foreign income tax offset**'. If not, you will need to refer to the ATO publication *Guide to foreign income tax offset rules 2017* to work out your entitlement to foreign income tax offsets.

TAX FILE NUMBER (TFN) AMOUNTS WITHHELD

If you have not provided your TFN to us, we may be required to withhold tax from your distributions at the highest marginal tax rate plus the Medicare Levy. The tax withheld can be used to offset the tax payable on your income.

Include at **item 13R** '**Share of credit for tax file number amounts withheld from interest, dividends and unit trust distributions'** the amount shown as TFN tax withheld.

FURTHER INFORMATION

For further explanation or advice on taxation matters we recommend you contact an independent, qualified taxation adviser for professional advice.