Introduction

Effective 1 July 2014, Civmec Limited has migrated its tax residency from Singapore to Australia. As such, the dividend referred to in the attached dividend statement will be an Australian-sourced dividend, i.e. a foreign-sourced dividend for Singapore income tax purposes.

All dividends paid by Civmec are paid out of Civmec's profits. In addition to any cash dividend, the Directors may also determine that a dividend be provided in a form other than cash.The Directors will nominate the proportion of any dividend (in cents per share) to be paid in cash.

The following is a summary of certain tax consequences in Singapore and Australia in relation to the receipt of dividends from Civmec Limited by certain types of shareholders. This summary is of a general nature only and is based on the existing provisions of relevant tax law and the regulations thereunder, the circulars issued by the Inland Revenue Authority of Singapore (IRAS) and the Australian Taxation Office (ATO), and practices in effect as at the date hereof, all of which are subject to change at any time and to differing interpretations, either on a prospective or retroactive basis. The summary does not purport to be comprehensive and does not constitute legal or tax advice.

The summary is not intended to constitute a complete analysis of all the tax considerations relating to holding shares in Civmec Limited. Investors should consult their own tax advisers concerning the tax consequences of holding shares in Civmec Limited in the light of their particular situation, including the tax consequences arising under the laws of any other tax jurisdiction, which may be applicable to their particular circumstances.

Singapore income tax considerations

Singapore resident individuals

All foreign-sourced dividends received in Singapore by resident individuals (except those received through a partnership in Singapore) should be exempt from tax.

Singapore resident companies

Shareholders who are Singapore resident companies would generally be taxed on foreign-sourced dividends when received in Singapore, unless an exemption applies under the Singapore Income Tax Act (the "Act").

Commonly, Singapore resident shareholders could rely on the section 13(8) exemption for foreign dividends under the Act for relief from further taxation in Singapore. However, the dividend does not fall within this exemption as it would not meet the conditions under section 13(8) of the Act. As such, Civmec Limited has, on behalf of its Singapore resident shareholders, applied to the Ministry of Finance (MOF) under section 13(12) of the Act for tax exemption to be granted on the dividends to be paid by Civmec Limited. The outcome of the application will be communicated in due course.

Non-Singapore resident individuals

All foreign-sourced dividends received in Singapore by non-Singapore resident individuals should be exempt from tax.

Non-Singapore resident companies

Prima facie, a non-Singapore resident company taxpayer will become liable to Singapore income tax where foreign sourced income is considered received in Singapore. The IRAS issued a circular “Section 10(25) Of The Singapore Income Tax Act – Interpretation And Practice (Third Edition)”, in which it confirmed that foreign businesses which are not operating in Singapore can bring their foreign-sourced income to Singapore without being subject to tax on the income.

As such, a non-Singapore resident company without operations or activities in Singapore should not be taxed in Singapore on the dividend from Civmec Limited.

Should a non-Singapore resident company shareholder have operations or activities in Singapore, and the dividend is received by those operations in Singapore, the dividend would be subject to tax when received in Singapore. The section 13(8) exemption is not available to non-Singapore resident shareholders.

Australian income tax considerations

Australian resident shareholders

Any cash dividend you receive forms part of your Australian taxable income.

The cash component of the dividend may also be fully or partly franked under Australia's dividend imputation system. Any franking credits attached to the dividend also normally form part of your Australian taxable income. However, you are generally entitled to a rebate of tax, based on the franking credits attached to the dividend.

If your taxable income is too low to make you liable to tax, or the franking credits exceed your overall tax liability, then you may be entitled to receive a refund from the Australian Taxation Office for any excess franking credits.

Companies are not eligible for a refund but may gross up the franking credit and carry it forward as a tax loss, for utilisation against future income.

Non-Australian resident shareholders

You will generally be subject to Australian dividend withholding tax on any unfranked part of the dividend.

However, you will not be subject to Australian dividend withholding tax on any unfranked part of the dividend to the extent that it is designated as "Conduit Foreign Income" for tax purposes by Civmec, or on the franked part of the dividend. The extent to which the dividend is designated as Conduit Foreign Income will be advised on your dividend statement. The dividend is not otherwise subject to tax in Australia and you will be unable to use or obtain a refund for any franking credits attached to it.