APPENDIXES

APPENDIX 1

Summary of CGT events

Disposal

CGT event	*Time of event*	*Capital gain*	*Capital loss*
A1 Disposal of a CGT asset	when the disposal contract is entered into or, if none, when the entity stops being the asset's owner	capital proceeds from disposal *less* asset's cost base	asset's reduced cost base *less* capital proceeds

Hire purchase and similar agreements

CGT event	*Time of event*	*Capital gain*	*Capital loss*
B1 Use and enjoyment before title passes	when use of the CGT asset passes	capital proceeds *less* the asset's cost base	asset's reduced cost base *less* capital proceeds

End of a CGT asset

CGT event	*Time of event*	*Capital gain*	*Capital loss*
C1 Loss or destruction of a CGT asset	when compensation is first received or, if none, when the loss is discovered or destruction occurred	capital proceeds *less* the asset's cost base	asset's reduced cost base *less* capital proceeds
C2 Cancellation, surrender and similar endings	when the contract ending an asset is entered into or, if none, when an asset ends	capital proceeds from the ending *less* asset's cost base	asset's reduced cost base *less* capital proceeds
C3 End of an option to acquire shares and so on	when the option ends	capital proceeds from granting the option *less* expenditure in granting it	expenditure in granting the option *less* capital proceeds

Bringing a CGT asset into existence

CGT event	*Time of event*	*Capital gain*	*Capital loss*
D1 Creating contractual or other rights	when the contract is entered into or the right is created	capital proceeds from creating the right *less* incidental costs of creating the right	incidental costs of creating the right *less* capital proceeds
D2 Granting an option	when the option is granted	capital proceeds from the grant *less* expenditure to grant it	expenditure to grant the option *less* capital proceeds
D3 Granting a right to income from mining	when the contract is entered into or, if none, when the right is granted	capital proceeds from the grant of right *less* the expenditure to grant it	expenditure to grant the right *less* capital proceeds
D4 Entering into a conservation covenant	when covenant is entered into	capital proceeds from covenant *less* cost base apportioned to the covenant	reduce cost base apportioned to the covenant *less* capital proceeds from covenant

Trusts

CGT event	*Time of event*	*Capital gain*	*Capital loss*
E1 Creating a trust over a CGT asset	when the trust is created	capital proceeds from creating the trust *less* the asset's cost base	asset's reduced cost base *less* capital proceeds
E2 Transferring a CGT asset to a trust	when the asset is transferred	capital proceeds from the transfer *less* the asset's cost base	asset's reduced cost base *less* capital proceeds
E3 Converting a trust to a unit trust	when the trust is converted	market value of the asset at that time *less* its cost base	asset's reduced cost base *less* that market value
E4 Capital payment for trust interest	when the trustee makes the payment	non-assessable part of the payment *less* the cost base of the trust interest	*no capital loss*
E5 Beneficiary becoming entitled to a trust asset	when the beneficiary becomes absolutely entitled	for a trustee—market value of the CGT asset at that time *less* its cost base; for a beneficiary—that market value *less* the cost base of the beneficiary's capital interest	for a trustee—reduced cost base of the CGT asset at that time *less* that market value; for a beneficiary—reduced cost base of the beneficiary's capital interest *less* that market value
E6 Disposal to a beneficiary to end an income right	the time of the disposal	for a trustee—market value of the CGT asset at that time *less* its cost base; for a beneficiary—that market value *less* the cost base of the beneficiary's right to income	for a trustee—reduced cost base of the CGT asset at that time *less* that market value; for a beneficiary—reduced cost base of the beneficiary's right to income *less* that market value
E7 Disposal to a beneficiary to end capital interest	the time of the disposal	for a trustee—market value of the CGT asset at that time *less* its cost base; for a beneficiary—that market value *less* the cost base of the beneficiary's capital interest	for a trustee—reduced cost base of the CGT asset at that time *less* that market value; for a beneficiary—reduced cost base of the beneficiary's capital interest *less* that market value
E8 Disposal by a beneficiary of capital interest	when the disposal contract is entered into or, if none, when the beneficiary ceases to own the CGT asset	capital proceeds *less* the appropriate proportion of the trust's net assets	appropriate proportion of the trust's net assets *less* the capital proceeds
E9 Creating a trust over future property	when the entity makes an agreement	market value of the property (as if it existed when the agreement was made) *less* incidental costs in making the agreement	incidental costs in making the agreement *less* the market value of the property (as if it existed when the agreement was made)

Leases

CGT event	*Time of event*	*Capital gain*	*Capital loss*
F1 Granting a lease	for granting a lease—when the entity enters into the lease contract or, if none, at the start of the lease; for a lease renewal or extension—at the start of the renewal or extension	capital proceeds *less* the expenditure on grant, renewal or extension	expenditure on grant, renewal or extension *less* capital proceeds

Leases *continued*

CGT event	*Time of event*	*Capital gain*	*Capital loss*
F2 Granting a long-term lease	for granting a lease—when the lessor grants the lease; for a lease renewal or extension—at the start of the renewal or extension	capital proceeds from the grant, renewal or extension *less* the cost base of the leased property	reduced cost base of the leased property *less* the capital proceeds from the grant, renewal or extension
F3 Lessor pays lessee to get lease changed	when the lease term is varied or waived	*no capital gain*	amount of expenditure to get lessee's agreement
F4 Lessee receives payment for changing a lease	when the lease term is varied or waived	capital proceeds *less* the cost base of lease	*no capital loss*
F5 Lessor receives payment for changing a lease	when the lease term is varied or waived	capital proceeds *less* expenditure in relation to variation or waiver	expenditure in relation to variation or waiver *less* capital proceeds

Shares

CGT event	*Time of event*	*Capital gain*	*Capital loss*
G1 Capital payment for shares	when the company pays a non-assessable amount	payment *less* cost base of shares	*no capital loss*
G3 Liquidator declares shares worthless	when the liquidator makes the declaration	*no capital gain*	shares' reduced cost base

Special capital receipts

CGT event	*Time of event*	*Capital gain*	*Capital loss*
H1 Forfeiture of a deposit	when the deposit is forfeited	deposit *less* expenditure in connection with the prospective sale	expenditure in connection with the prospective sale *less* deposit
H2 Receipt for an event relating to a CGT asset	when the act, transaction or event occurred	capital proceeds *less* the incidental costs	incidental costs *less* capital proceeds

Cessation of residency

CGT event	*Time of event*	*Capital gain*	*Capital loss*
I1 Individual or company stops being an Australian resident	when the individual or company stops being an Australian resident	for each CGT asset the person owns, its market value *less* its cost base	for each CGT asset the person owns, its reduced cost base *less* its market value
I2 Trust stops being a resident trust	when the trust ceases to be a resident trust for CGT purposes	for each CGT asset the trustee owns, its market value *less* its cost base	for each CGT asset the trustee owns, its reduced cost base *less* its market value

Reversal of roll-over

CGT event	Time of event	Capital gain	Capital loss
J1 Company stops being a member of a wholly owned group after a roll-over	when the company stops being a member of a wholly owned group after a roll-over	market value of the asset at the time of the event *less* its cost base	reduced cost base of the asset *less* that market value
J2 Change in status of a CGT asset that was a replacement asset in a roll-over under Subdivision 152-E	when the change in status happens	the amount of the capital gain that you disregarded under Subdivision 152-E	*no capital loss*
J3 A change happens in circumstances where a share in a company or an interest in a trust was a replacement asset in a roll-over under Subdivision 152-E	when the change in circumstances happens	the amount of the capital gain that you disregarded under Subdivision 152-E	*no capital loss*
J4 Trust failing to cease to exist after roll-over under Subdivision 124-N	when the failure to cease to exist happens	for the company—market value of the asset at the time the company acquired *less* its cost base at that time for shareholder—market value of the share at the time the shareholder acquired it *less* its cost base at that time	for the company—reduced cost base of the asset at the time the company acquired it *less* its market value at that time for shareholder—reduced cost base of the share at the time the shareholder acquired it *less* its market value at that time

Other CGT events

CGT event	Time of event	Capital gain	Capital loss
K1 Partial realisation of an intellectual property right	when a contract is entered into or, if none, when partial realisation happens	capital proceeds from partial realisation *less* the cost base of the item of intellectual property	*no capital loss*

CGT event K1 does not apply to partial realisations on or after 1 July 2001.

CGT event	Time of event	Capital gain	Capital loss
K2 Bankrupt pays an amount in relation to debt	when payment is made	*no capital gain*	that part of the payment that relates to the denied part of a net capital loss
K3 Asset passing to a tax-advantaged entity	when an individual dies	market value of the asset at death *less* its cost base	reduced cost base of the asset *less* that market value
K4 CGT asset starts being trading stock	when the asset starts being trading stock	market value of asset *less* its cost base	reduced cost base of asset *less* that market value
K5 Special capital loss from a collectable that has fallen in market value	when CGT event A1, C2 or E8 happens to shares in the company, or an interest in the trust, that owns the collectable	*no capital gain*	market value of the shares or interest (as if the collectable had not fallen in market value) *less* the capital proceeds from CGT event A1, C2 or E8

Other CGT events *continued*

CGT event	***Time of event***	***Capital gain***	***Capital loss***
K6 Pre-CGT shares or trust interest	when another CGT event involving the shares or interest happens	capital proceeds from the shares or trust interest that are attributable to a post-CGT asset owned by the company or trust, *less* the assets' cost bases	*no capital loss*
K7 Balancing adjustment occurs for a depreciating asset that you used for purposes other than taxable purposes	when the balancing adjustment event occurs	termination value *less* cost *times* fraction	cost *less* termination value *times* fraction
K8 Direct value shifts affecting your equity or loan interests in a company or trust	the decrease time for the interests	the capital gain worked out under section 725-365	*no capital loss*
K9 Entitlement to receive payment of a carried interest	when you become entitled to receive the payment	capital proceeds from the entitlement	*no capital loss*

Consolidations

CGT event	***Time of event***	***Capital gain***	***Capital loss***
L1 Reduction under section 705-57 in tax cost setting amount of assets of entity becoming subsidiary member of consolidated group	just after entity becomes subsidiary member	no capital gain	amount of reduction
L2 Amount remaining after step 3A etc of joining allocable cost amount is negative	just after entity becomes subsidiary member	amount remaining	*no capital loss*
L3 Tax cost setting amounts for retained cost base assets exceed joining allocable cost amount	just after entity becomes subsidiary member	amount of excess	*no capital loss*
L4 No reset cost base assets against which to apply excess of net allocable cost amount on joining	just after entity becomes subsidiary member	no capital gain	amount of excess
L5 Amount remaining after step 4 of leaving allocable cost amount is negative	when entity ceases to be subsidiary member	amount remaining	*no capital loss*

Consolidations *continued*

CGT event	***Time of event***	***Capital gain***	***Capital loss***
L6 Error in calculation of tax cost setting amount for joining entity's assets	Start of the income year when the Commissioner becomes aware of the errors	The net overstated amount resulting from the errors, or a portion of that amount	The net understated amount resulting from the errors, or a portion of that amount
L7 Discharged amount of liability differs from amount for allocable cost amount purposes	Start of the income year in which the liability is realised	Your allocable cost amount less what it would have been had you used the correct amount for liability	What your allocable cost amount would have been had you used the correct amount for the liability less your allocable cost amount

APPENDIX 2

Consumer Price Index (CPI)

ALL GROUPS—WEIGHTED AVERAGE OF EIGHT CAPITAL CITIES				
	Quarter ending			
Year	**31 Mar.**	**30 Jun.**	**30 Sep.**	**31 Dec.**
1985	–	–	71.3	72.7
1986	74.4	75.6	77.6	79.8
1987	81.4	82.6	84.0	85.5
1988	87.0	88.5	90.2	92.0
1989	92.9	95.2	97.4	99.2
1990	100.9	102.5	103.3	106.0
1991	105.8	106.0	106.6	107.6
1992	107.6	107.3	107.4	107.9
1993	108.9	109.3	109.8	110.0
1994	110.4	111.2	111.9	112.8
1995	114.7	116.2	117.6	118.5
1996	119.0	119.8	120.1	120.3
1997	120.5	120.2	119.7	120.0
1998	120.3	121.0	121.3	121.9
1999	121.8	122.3	123.4	N/A*

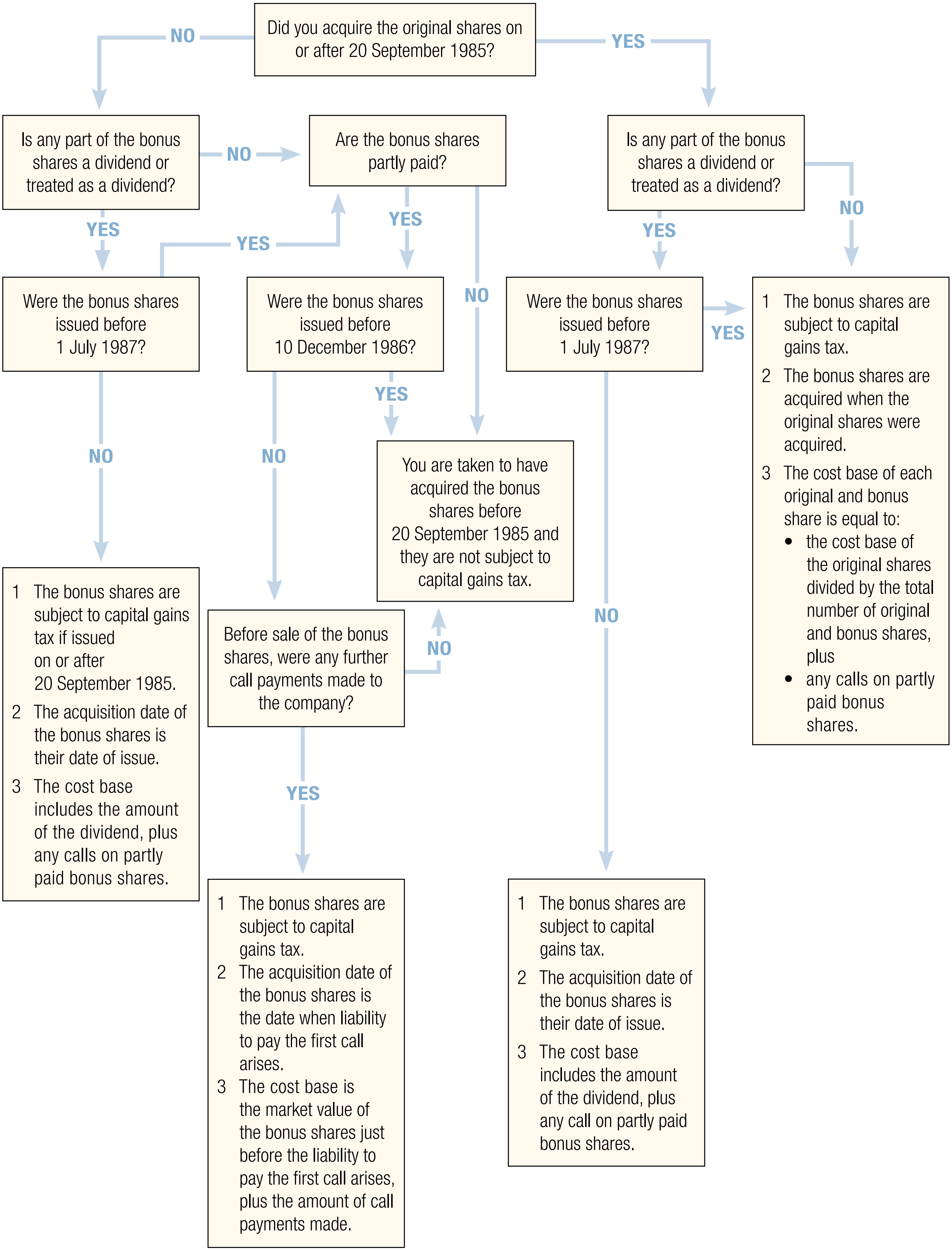
For an explanation of indexation and how it applies, see page 15.

* If you use the indexation method to calculate your capital gain, the indexation factor is based on increases in the CPI up to September 1999 only.

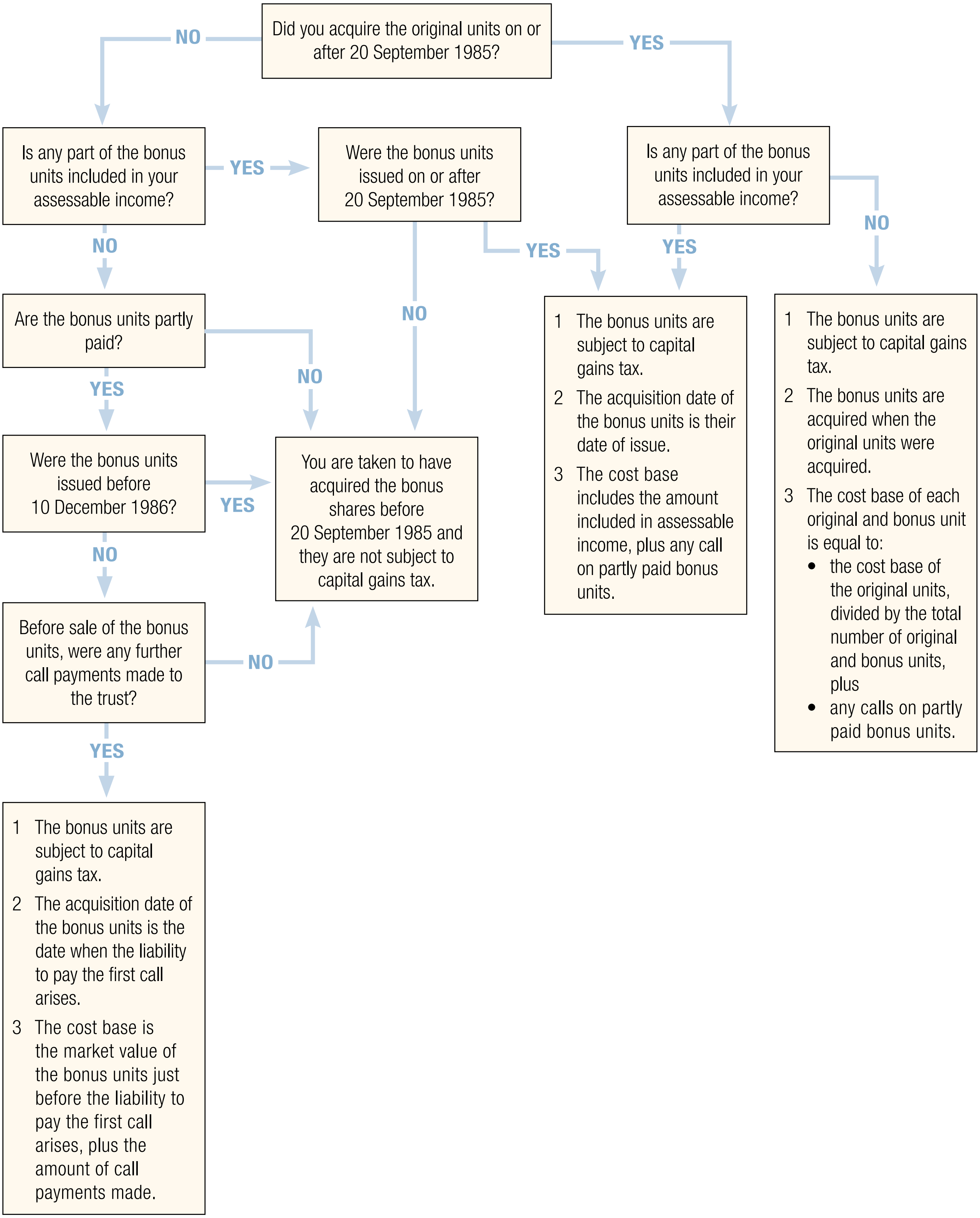
APPENDIX 3

Flowcharts

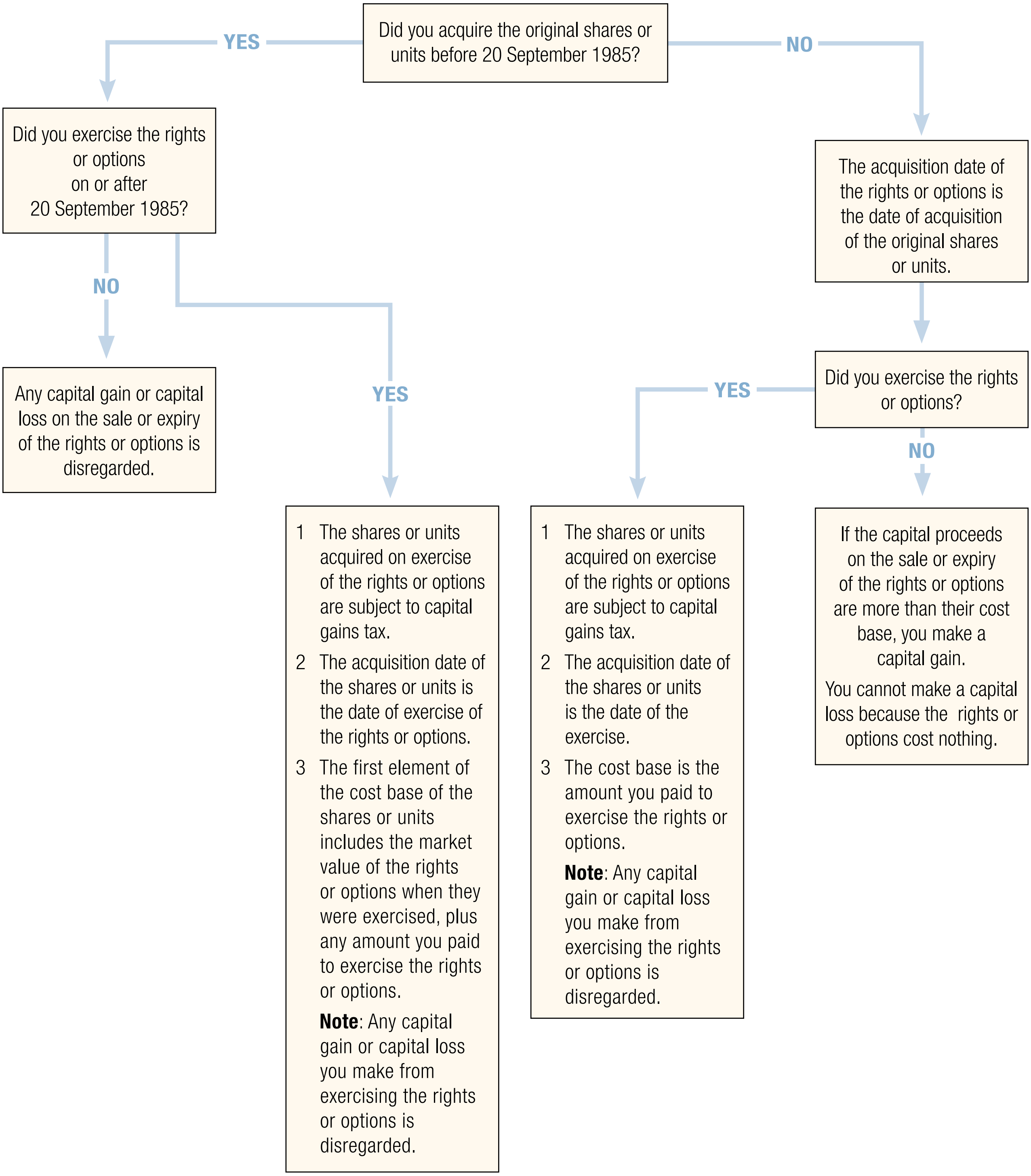
Flowchart 1 Treatment of **bonus shares** issued on or after 20 September 1985



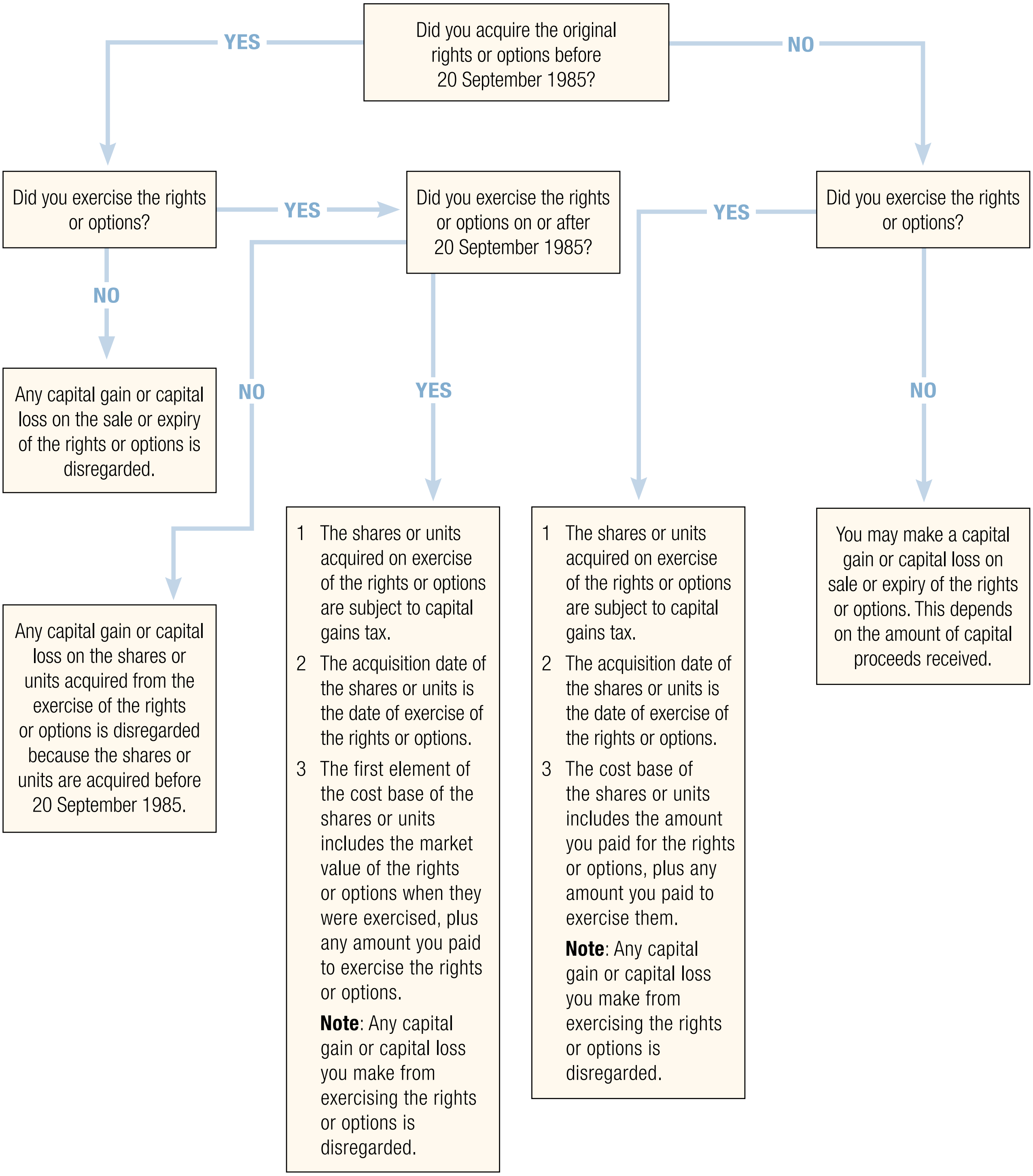
Flowchart 2 Treatment of **bonus units** issued on or after 20 September 1985



Flowchart 3 Treatment of rights or options to acquire shares or units issued directly to you from a company or trust for no payment (but not under an employee share scheme)



Flowchart 4 Treatment of rights or options to acquire shares or units issued that you paid to acquire from a company or trust or from another person (but not under an employee share scheme).



APPENDIX 4

Recent share transactions

Company	Details of transaction
AMP Ltd	**Demutualisation** Acquisition cost for AMP Ltd shares was $10.43 per share and acquisition date was 20 November 1997.
BHP Billiton Limited	**Demerger** In July 2002, BHP shareholders received one BHP Steel Ltd share for every five BHP Billiton shares held. BHP Billiton has advised that BHP Steel represented 5.063% of the market value of the group as a whole just after the demerger. Shareholders who received BHP Steel shares should use this percentage to apportion the sum of the cost bases of their post-CGT BHP Billiton shares between these shares and the post-CGT BHP Steel shares.
Commonwealth Bank of Australia Ltd	**Public share offer** For the first instalment: Acquisition date and indexation available from 13 July 1996 For the final instalment: Indexation also applied from 13 July 1996
CSR Limited—Rinker Group Limited	**Demerger** In April 2003 CSR shareholders received one Rinker share for every CSR share they held. CSR has advised that Rinker represented 75% of the market value of the group as a whole just after the demerger. Shareholders who received Rinker shares should use this percentage to apportion the sum of the cost bases of their post-CGT CSR shares between these shares and the post-CGT Rinker shares. See *Class Ruling CR 2003/10—Income tax: Special Dividend, Capital Reduction and Related Scheme of Arrangement for the Demerger of Rinker Group Limited from CSR Limited*.
Harris Scarfe Holdings Ltd	**Statement was not a declaration that shares are worthless** On 26 June 2002, the liquidators of Harris Scarfe Holdings Ltd advised shareholders they were unable to determine the amount of any return to shareholders in the winding up of the company. The liquidators have also advised that it may be some considerable time before all issues are resolved in the courts. Shareholders of Harris Scarfe cannot choose to make a capital loss until such time as the liquidators may make a declaration that satisfies CGT event G3.
HIH Insurance Ltd	**Declaration that shares are worthless** Liquidators' written declaration made on 10 October 2001 enabled shareholders of HIH Insurance Limited to choose to make a capital loss in 2001–02 equal to the reduced cost base of the share under CGT event G3.
Insurance Australia Group (IAG) Limited	**Share purchase plan** Offers opened on 4 November 2002 for shareholders to purchase shares from IAG for $2.40 per share free of brokerage and transaction costs. There are no CGT consequences at the time of purchase. However, there are taxation consequences in relation to owning and disposing of the shares you purchase.
NRMA Insurance Group Ltd (NIGL)	**Demutualisation** Acquisition cost of NIGL shares allocated to shareholders was $1.78 per share. Acquisition date was 19 June 2000. For additional shares purchased through the facility, acquisition cost was $2.75 and acquisition date was 6 August 2000.

COMPANY	DETAILS OF TRANSACTION
One.Tel Ltd	**Declaration that shares are worthless** The liquidators' written declaration made on 30 May 2002 enabled shareholders of One.Tel Ltd to choose to make a capital loss in the 2001–02 year equal to the reduced cost base of the share.
Pasminco Limited	**Statement that shares are worthless not made by liquidator** The statement by the administrators on 4 September 2002 did not cause a CGT event G3 (liquidator declares shares worthless) to happen. Shareholders of Pasminco cannot choose to make a capital loss until such time as a liquidator may make a declaration that satisfies CGT event G3. See *Class Ruling CR 2002/85—Income tax: capital gains tax: CGT event G3: Pasminco Limited (subject to deed of company arrangement)*.
Sonic Health Care Limited—SciGen Limited	**Demerger** In December 2002, Sonic shareholders received one SciGen share in the form of a CUFS for every Sonic share held. Sonic has advised that SciGen represented 0.66% of the market value of the group as a whole just after the demerger. Shareholders who received SciGen shares should use this percentage to apportion the sum of the cost bases of their post-CGT Sonic shares between these shares and the post-CGT SciGen shares. See *Class Ruling CR 2002/89—Income tax: dividend, capital reduction and related schemes of arrangement for the demerger of SciGen Limited from Sonic Healthcare Limited*.
TAB Limited	**Share buy-back** On 21 March 2002, TAB Limited announced a share buy-back. The capital proceeds received were $2.35. The amount by which the capital proceeds of $2.35 exceeds the cost base of each share will be a capital gain to the shareholder. If the share's reduced cost base exceeds $2.35, the difference will be a capital loss. The announcement date was 21 March 2002. See *Class Ruling CR 2002/16—Income tax: share buy-back: TAB Limited.*
Telstra	**Public share offer 1** For the first instalment: Acquisition of shares was on (and indexation available from) 15 November 1997. For the final instalment: Indexation applied from 15 November 1997. **Public share offer 2** For the first instalment: Date of acquisition was 22 October 1999 if the instalment receipts were purchased through the offer. No indexation applied because acquisition was after 21 September 1999. For the final instalment: No indexation applied as above.
Western Mining Corporation Limited—WMC Resources Limited	**Demerger** In December 2002, WMC shareholders received one WMCR share for every WMC share held. Also WMC Limited changed its name to Alumina Ltd. Alumina has advised that WMCR represented 46.30% of the market value of the group as a whole just after the demerger. Shareholders who received WMCR shares should use this percentage to apportion the sum of the cost bases of their post-CGT Alumina shares between these shares and the post-CGT WMCR shares. See *Class Ruling CR 2002/81—Income tax: capital gains: demerger roll-over relief for shareholders: demerger of WMC Ltd*.

For more information about share transactions in earlier years, visit our website: **www.ato.gov.au**

APPENDIX 5

Explanation of terms

Assessable income

Assessable income is all the income you have received that should be included on your income tax return. Generally, assessable income does not include non-assessable payments from a unit trust, including a managed fund.

Bonus shares

Bonus shares are additional shares a shareholder receives wholly or partly as a dividend. You may also pay an amount to get them.

Bonus units

Bonus units are additional units a unit holder receives from the trust. The unit holder may also be required to pay an amount to get them.

Calls on shares

A company may sometimes issue a share at less than its par or face value and then make calls to pay up part or all of the remaining outstanding balance.

Capital gain

You may make a capital gain from a CGT event such as the sale of an asset. Generally your capital gain is the difference between your asset's cost base (what you paid for it) and your capital proceeds (what you received for it). You can also make a capital gain if a managed fund or other unit trust distributes a capital gain to you.

Capital gains tax

Capital gains tax (CGT) refers to the income tax you pay on any net capital gain you make and include on your annual income tax return. For example, when you sell (or otherwise dispose of) an asset as part of a CGT event, you are subject to CGT.

Capital improvements

A capital improvement is an improvement you make to a CGT asset that is reflected in its state or nature at the time of a later CGT event. This does not include a repair that is deductible for income tax purposes.

Capital loss

Generally, you may make a capital loss as a result of a CGT event if you received less capital proceeds for an asset than its reduced cost base (what you paid for it).

Capital proceeds

Capital proceeds is the term used to describe the amount of money or the value of any property you receive or are entitled to receive as a result of a CGT event. For shares or units, capital proceeds may be:

- the amount you receive from the purchaser
- the value of shares (or units) you receive on a demerger
- the value of shares (or units) and the amount of cash you receive on a merger/takeover, or
- their market value if you give them away.

CGT asset

CGT assets include shares, units in a unit trust, collectables (such as jewellery), assets for personal use (such as furniture or a boat) and other assets (such as an investment property).

CGT-concession amounts

These amounts are the CGT discount component of any actual distribution from a managed fund.

CGT discount

The CGT discount is the amount (or percentage) by which a capital gain may be reduced under the discount method (see **Discount method**).

CGT event

A CGT event happens when a transaction takes place such as the sale of a CGT asset. The result is usually a capital gain or capital loss.

Consolidated income taxation of corporate groups

Taxing wholly owned groups as single entities. Subsidiary members are treated as parts of the head company. Intragroup transactions are disregarded for income tax purposes. Consolidation enables assets to be transferred between members of a group without triggering capital gains or requiring cost base adjustments for membership interests. Effective from 1 July 2002.

Convertible note

A convertible note is another type of investment you can make in a company or unit trust. A convertible note earns interest on the amount you pay to acquire the note until the note's expiry date. On expiry of the note, you can either ask for the return of the money paid or convert that amount to acquire new shares or units.

Cost base

The cost base of an asset is generally what it costs you. It is made up of five elements:

- money you paid or property you gave for the asset
- incidental costs of acquiring or selling it (for example, brokerage and stamp duty)

- non-capital costs associated with owning it (generally this will not apply to shares or units because you will usually have claimed these costs as tax deductions)
- costs associated with increasing its value (for example, if you paid a call on shares)
- what it has cost you to preserve or defend your title or rights to it.

The cost base for a share or unit may need to be reduced by the amount of any non-assessable payment you receive from the company or fund.

Debt forgiveness

A debt is forgiven if you are freed from the obligation to pay it. A commercial debt that is forgiven may reduce your capital loss, your cost base or your reduced cost base.

Demerger

A demerger involves the restructuring of a corporate or trust group by splitting its operations into two or more entities or groups. Under a demerger the owners of the head entity of the group acquire a direct interest in an entity (demerged entity) that was formerly part of the group.

Demerger roll-over

This generally applies to CGT events that happen on or after 1 July 2002 to interests that you own in the head entity of a demerger group and a company or trust is demerged from the group. Generally, the head entity undertaking the demerger will advise owners whether demerger roll-over is available but you should seek our advice if you are in any doubt. The ATO may have provided advice in the form of a class ruling on a specific demerger, confirming that the roll-over is available.

This roll-over allows you to defer your CGT obligation until a later CGT event happens to your original or your new shares or units.

Demutualisation

A company demutualises when it changes its membership interests to shares. If you received shares as part of a demutualisation of an Australian insurance company (for example, the NRMA), you are not subject to capital gains tax until you sell the shares.

Usually the company will advise you of your cost base for the shares you received. The company may give you the choice of keeping the shares they have given you or of selling them and giving you the capital proceeds.

Discount method

The discount method is one of the ways to calculate your capital gain if:

- the CGT event happened after 11.45am (by legal time in the ACT) on 21 September 1999
- you acquired the asset at least 12 months before the CGT event.

If you use the discount method, you do not index the cost base but you may be able to reduce your capital gain by the CGT discount. However, you must first reduce your capital gains by the amount of all your available capital losses (both current year and prior years) before you discount any remaining capital gain.

If you acquired the asset before 11.45am (by legal time in the ACT) on 21 September 1999, you may be able to choose either the discount method or the indexation method, whichever gives you the better result.

Discounted capital gain

A discounted capital gain is a capital gain that has been reduced by the CGT discount. If the discounted capital gain has been received from a managed fund, the amount will need to be grossed up before you apply any capital losses and then the CGT discount.

Dividend reinvestment plans

Under these plans, shareholders can choose to have their dividend used to acquire additional shares in the company instead of receiving a cash payment. For CGT purposes, you are treated as if you received a cash dividend and then used it to buy additional shares. Each share (or parcel of shares) received in this way is treated as a separate asset when the shares are issued to you.

Dwelling

A dwelling is anything that is used wholly or mainly for residential accommodation. Examples include a home, an apartment, a strata title unit or a unit in a retirement village.

Employee share schemes

If you acquired shares or rights at a discount under an employee share scheme and the scheme complies with the income tax rules for employee share schemes, you can choose when to include the amount of the discount in your assessable income on your tax return. There are special CGT rules relating to the calculation of the cost base of these shares or rights and, in some circumstances, a capital gain or capital loss you make is disregarded.

Gross up

Grossing up applies to unit holders who are entitled to a share of the fund's income that includes a capital gain reduced by the CGT discount. In this case, you 'gross up' your capital gain by multiplying by two your share of any discounted capital gain you have received from the fund. You may also have to gross up a capital gain that was reduced by the small business 50% active asset reduction.

Income year

The income year is the financial year relating to your current income tax return.

Indexation factor

The factor is worked out based on the Consumer Price Index (CPI) at appendix 2 on page 103.

The indexation of the cost base of an asset is frozen as at 30 September 1999. For CGT events after that time the indexation factor is the CPI for the September 1999 quarter (123.4), divided by the CPI for the quarter in which you incurred costs relating to the asset. The result is rounded to three decimal places.

Indexation method

The indexation method is one of the ways to calculate your capital gain if you bought a CGT asset before 11.45am (by legal time in the ACT) on 21 September 1999. This method allows you to increase the cost base by applying an indexation factor (based on increases in the Consumer Price Index up to September 1999).

You cannot use the indexation method for:

- CGT assets bought after 11.45am (by legal time in the ACT) on 21 September 1999, or
- expenditure relating to a CGT asset acquired after that date.

You may prefer to use the discount method for CGT events after 21 September 1999 if that method gives you the better result.

Legal personal representative

A legal personal representative can be either:

- the executor of a deceased estate (that is, a person appointed to wind up the estate in accordance with the will), or
- an administrator appointed to wind up the estate if the person does not leave a will.

LIC capital gain amount

This is an amount notionally included in a dividend from a listed investment company (LIC) which represents a capital gain made by that company. The amount is not included as a capital gain under item **17** on the tax return, or item **9** if you use the tax return for retirees. (See page 44 for an example and refer to instructions for **Dividend income** at item **11** on the tax return or item **8** if you use the tax return for retirees.)

Main residence

Your main residence is your home, that is, the dwelling you regard as your main place of residence and nominate as such for any CGT concessions dealing with the disposal of a main residence.

Main residence exemption

Generally, you can ignore a capital gain or capital loss from a CGT event that happens to a dwelling that is your main residence (also referred to as 'your home'). You may make a capital gain or capital loss if you have used your home to produce income, if it was not your home for the full period you owned it or the land around your home is more than 2 hectares.

Managed fund

A managed fund is a unit trust. The types of managed funds available include cash management trusts, fixed interest trusts, mortgage trusts, property trusts, equity trusts, international trusts and diversified trusts.

Net capital gain

A net capital gain is the difference between your total capital gains for the year and your total capital losses (including capital losses from prior years), less any CGT discount and small business concessions to which you are entitled.

Non-assessable payment

A non-assessable payment is a payment received from a company or fund that is not assessed as part of your income on your income tax return.

This includes some distributions from unit trusts and managed funds and, less commonly, from companies.

'Other' method

To calculate your capital gain using the 'other' method, you subtract your cost base from your capital proceeds. You must use this method for any shares or units you have bought and sold within 12 months (that is, when the indexation and discount methods do not apply).

Ownership interest

You have an ownership interest if you own a dwelling or land and/or meet the conditions outlined in chapter 6.

Pre-CGT

Acquired before 20 September 1985. Assets acquired before this date are generally exempt from CGT. An exception is if CGT event K6 applies.

Post-CGT

Acquired on or after 20 September 1985.

Reduced cost base

The reduced cost base is the amount you take into account when you are working out whether you have made a capital loss when a CGT event happens.

The reduced cost base may need to have amounts deducted from it such as non-assessable payments.

The reduced cost base does not include indexation or non-capital costs of ownership such as interest on monies borrowed to buy the asset.

Roll-over

Roll-over allows a capital gain to be deferred or disregarded until a later CGT event happens.

Scrip-for-scrip roll-over

This can apply to CGT events that happen on or after 10 December 1999 in the case of a takeover or merger of a company or fund in which you have holdings. The company or fund would usually advise you if the roll-over conditions have been satisfied.

This roll-over allows you to defer your CGT obligation until a later CGT event happens to your shares or units.

You may only be eligible for partial roll-over if you received shares (or units) plus cash for your original shares. In that case, if the information provided by the company or fund is not sufficient for you to calculate your capital gain, you may need to seek advice from the Australian Taxation Office.

Share buy-backs

If you disposed of shares back to a company under a buy-back arrangement, you may have made a capital gain or capital loss.

Some of the buy-back price may have been treated as a dividend for tax purposes. The time you make the capital gain or capital loss will depend on the conditions of the particular buy-back offer.

Takeovers and mergers

If a company in which you held shares was taken over and you received new shares in the takeover company, you may be entitled to scrip-for-scrip roll-over.

If the scrip-for-scrip conditions were not satisfied, your capital proceeds for your original shares will be the total of any cash and the market value of the new shares you received.

Tax-advantaged entity

A tax-advantaged entity is a tax-exempt entity, or the trustee of:

- a complying superannuation fund
- a complying approved deposit fund, or
- a pooled superannuation fund.

Tax-deferred amounts

These amounts include indexation allowed to a trust on its capital gains and accounting differences in income.

Tax-exempted amounts

These amounts are generally made up of exempt income of the trust, amounts on which the trust has already paid tax or income you had to repay to the trust. Tax-exempted amounts do not affect your cost base or your reduced cost base.

Tax-free amounts

These amounts allow the trust to pay greater distributions to its beneficiaries. This is due to certain tax concessions trusts can receive.

Unit trust

A unit trust is a trust or fund that is divided into units representing capital and income entitlements. Units may be traded or redeemed (including the switching and transferring of units). A managed fund is a type of unit trust.

INDEX