# PBL - Publishing and Broadcasting Limited restructure (2007): Choosing rollover

Find out about the CGT events that occurred during the PBL restructure and the tax consequence of those events.

14 September 2016

Introduction

This document is for people who were shareholders in Publishing and Broadcasting Limited (PBL) at the time of the restructure in December 2007 and who choose **scrip-for-scrip rollover** for their shares.

## Terms explained

## Example

20609

# Tax consequences

14 September 2016

Two capital gains tax (CGT) events occurred during the restructure. They were:

1. disposal of your PBL shares, and
2. a share capital reduction on your Crown Ltd (Crown) shares, which occurred when you received your Consolidated Media Holdings Ltd (CMH) shares.

This document will help you work out the tax consequences of these events, including your:

- capital gain on your PBL shares if you received any cash when you disposed of them
- capital gain (if any) on your Crown shares as a result of receiving CMH shares
- CGT **cost base** records for the Crown shares you received, and
- CGT cost base records for the CMH shares you received.

Attention

**Income tax return 2007-08**

**You will need some or all of the capital gains information for your 2007-08 income tax return.**

In addition to the capital gains listed above, you will have made a capital gain on your PBL shares when you received your Crown shares, but this will be disregarded as a consequence of choosing scrip-for-scrip rollover.

20609

# Using the instructions and worksheet

14 September 2016

This document contains a worksheet, instructions, terms explained, example and example worksheet. Print the worksheet out so you can complete it as you go through the instructions. Print out the example worksheet if you want to refer to it as you go through the example.

You will also need a calculator and the 'holder statements' that Crown and CMH sent you.

20609

# Instructions

14 September 2016

The instructions contain four sections. If you chose the 'standard' or 'maximum cash' consideration (option), you need to complete all four sections. If you chose the 'maximum share' option, skip section 2.

### Section 1: Details of your PBL shares

If you held more than one parcel of PBL shares before the restructure, enter each parcel on the worksheet in the order you got them, oldest first.

For each parcel fill in the:

- acquisition date (column 2) (the date you got the shares)
- number of shares in the parcel (column 3), and
- cost base (just before the restructure) for the parcel (column 4).

Section 2: Capital gain on the cash received

In this section you work out the tax consequences for the cash amount you received under the restructure. If you did not receive any cash, that is, you chose the maximum share option, ignore this section and go to section 3.

## Column 5: How much cash did you receive?

You need to know how much cash you received to work out your capital gain.

Use the following table to work out how much cash you received for each of your parcels of PBL shares:

| Option | Cash received |
|---|---|
| Standard | Column 3 (number of shares) x $3.00 |
| Maximum cash | Column 3 (number of shares) x $15.06249587 |

Enter the results in column 5.

## Column 6: Relevant proportion of cost base

The cost base relating to the cash you received is a percentage or proportion of the cost base of your PBL shares, which we refer to as the relevant proportion.

Work out the relevant proportion of the cost base for each parcel, using the table below:

| Option: | Relevant proportion: |
|---|---|

| | |
|---|---|
| Standard | Column 4 (cost base of parcel) x 14.57% |
| Maximum cash | Column 4 (cost base of parcel) x 73.15% |

Enter the results in column 6.

## Column 7: What is your capital gain?

Your capital gain is the difference between the cash you received for your PBL shares (amount in column 5) and the 'relevant proportion' of the cost base of those shares (amount in column 6).

> Column 5 (cash amount received) - column 6 (cost base for cash received)

Attention **If the result is zero or negative you have not made a capital gain and cannot use this document. For that parcel you should use** PBL restructure (2007): Not choosing rollover

Enter the results in column 7.

Attention **You must include this capital gain when working out your net capital gain or capital loss for your 2007-08 income tax return.**

## Column 8: CGT discount

You can treat any capital gain you made from disposing of your PBL shares as a 'discounted capital gain' provided that you:

- were an individual, complying superannuation entity or eligible trust
- worked out the capital gain using a cost base that had been worked out without reference to indexation at any time, and
- had owned your PBL shares for at least 12 months before the date of disposal or compulsory acquisition (that is, you acquired them on or before 9 December 2006).

Attention **If you got your PBL shares after 9 December 2006 you cannot use the CGT discount.**

For each parcel, place a 'Y' in column 8 if you are eligible for the CGT discount and an 'N' if you are not.

## Section 3: Cost base of your Crown shares

In this section you work out the CGT characteristics of your new Crown shares after the restructure.

### Column 9: Acquisition date

For the purposes of scrip-for-scrip rollover and the '12-month' rule (see column 8), you are taken to have acquired your new Crown shares on the date you acquired the original PBL shares. Copy the date from column 2 into column 9.

### Column 10: Number of Crown shares received

Check the holder statement you received from Crown and enter the total number of Crown shares you received in the 'Total' box at the bottom of column 10.

Use the following table to work out the number of Crown shares you received for each parcel of PBL shares:

| Option | Number of Crown shares |
|---|---|
| Standard | Same as column 3 (number of PBL shares) |
| Maximum cash | Column 3 (number of PBL shares) **x** 0.31424128 |
| Maximum share | Column 3 (number of PBL shares) **x** 1.17055145 |

Round each answer to a full number and enter the results in column 10.

Add up the figures in column 10 and compare your answer to the number of shares you entered in the total box (from your holder statement). If the figures do not match, adjust the rounding of individual parcels to make them add up to number on your holder statement.

> Attention **Column 10 must match the total on the holder statement you received from Crown. Any adjustment you make to your individual parcels must be done on a reasonable basis.**

## Column 11: Cost base of your Crown shares

The cost base of your Crown shares after the restructure is a percentage of the cost base of your PBL shares (also referred to as the relevant proportion of the cost base). Work out the cost base of your Crown shares as follows:

> Column 4 (PBL cost base) - column 6 (cash cost base) - (column 10 x $3.70)

> Attention **The $3.70 figure above is the 'capital return' amount you received under the demerger for each Crown share, which Crown shareholders received in the form of CMH shares.**

If your answer is zero or a positive number, enter it at column 11 and go to section 4.

If your answer is a negative number, you made a capital gain under the demerger. The cost base of your Crown shares is zero, so write 'zero' in column 11 and go to column 12.

## Column 12: Capital gain on your Crown shares

When you received your CMH shares, you made a capital gain on your Crown shares if the value of the CMH shares was more than the cost base of your Crown shares. Work out your capital gain as follows:

> (Column 10 x $3.70) - column 4 (PBL share cost base) + column 6 (cash cost base)

Attention **You cannot make a capital loss under this demerger.**

If you have a 'Y' in column 8 for this row, you can treat the capital gain as a 'discounted capital gain'. See Column 8: CGT discount.

Attention **You must include this capital gain when working out your net capital gain or capital loss for your 2007-08 income tax return.**

# Section 4: Cost base of your CMH shares

## Column 13: Number of shares

You received one CMH share for each Crown share you owned. Copy the details from column 10 of the worksheet into column 13.

## Column 14: Acquisition date

The acquisition date of your CMH shares for all CGT purposes is 12 December 2007, the 'effective date' of the demerger.

## Column 15: Cost base of shares

The cost base of each CMH share is the capital return amount you received for your Crown shares ($3.70) which, under the demerger, you got in the form of CMH shares.

Work out the cost base of each of your parcels of CMH shares:

> Column 13 (number of shares) x $3.70 (capital return)

Enter the cost base for each parcel into column 15.

## You have finished this worksheet

Attention **Record keeping**
**Keep this worksheet with your CGT records.**

If you keep separate files for your PBL, Crown and CMH shares you may need to copy the worksheet.

20609

# More information

14 September 2016

- Class Ruling CR 2007/111 Income tax: capital gains tax: acquisition of Publishing and Broadcasting Limited by Crown Limited and demerger of Publishing and Broadcasting Limited by Crown Limited.
- Guide to capital gains tax (NAT 4151)

20609

# Terms explained

14 September 2016

## Cost base and reduced cost base

Your CGT records for your PBL shares should show you your cost base and acquisition date for each parcel of PBL shares. Generally, the cost base of shares is the purchase price and any incidental costs such as transfers, stamp duties, and fees charged by consultants, accountants, lawyers or brokers.

For calculations where you have to work out a capital loss, you use reduced cost base rather than cost base. Your reduced cost base does not include indexation or certain other expenditure.

For most people your reduced cost base is the same as your cost base.

## Discounted capital gain

If you work out your capital gain using the 'discount method', you reduce (or discount) it using the 'CGT discount'. The result is referred to as a 'discounted capital gain'. If you use the discount method to work out your capital gain, you do not index the cost base.

## Parcel of shares

If you acquire more than one share on a particular date for a particular price, we refer to those shares as a parcel of shares. For example, you may have bought PBL shares on two occasions on the Australian Securities Exchange (ASX) - each of these acquisitions is a separate parcel.

Although each share is a separate CGT asset, it is usually more convenient to work out the CGT consequences for each parcel of shares.

## Relevant proportion

When you choose scrip-for-scrip rollover, you must allocate your original cost base across your new assets on a proportional basis. We refer to each allocation as a 'relevant proportion' of your original cost base.

In the instructions for column 6 of this worksheet, we have provided percentages that help you work out the 'relevant proportion' of the cost base for the cash you received for your PBL shares.

We have worked out a percentage (for one PBL share) for each of the two options that had a cash component, as follows:

| Cash amount | **x** 100 |
|---|---|
| Total consideration received | |

The Tax Office accepts that the total consideration PBL shareholders received for each share was $20.59 (in a combination of cash and Crown shares).

If you chose the standard option, the 'relevant proportion' attributable to the cash component is worked out as:

| | | |
|---|---|---|
| 3.00 | **x** 100 = 14.57% | |
| 20.59 | | |

If you chose the maximum cash option, the relevant proportion attributable to the cash component is worked out as:

| | | |
|---|---|---|
| 15.06249587 | **x** 100 = 73.15% | |
| 20.59 | | |

Attention **We have provided these percentages to help shareholders work out their tax consequences on a per-parcel basis, to allow for different cost bases for different parcels of shares. We will accept values that have been worked out in accordance with the methods in our worksheets and the associated class ruling.**

Values worked out using other methods may differ due to rounding of the consideration you received.

## Scrip-for-scrip rollover

'Rollover' allows you to defer your CGT obligation until a later CGT event happens to your shares. If you received shares plus cash for your original shares, you may be eligible only for partial rollover. You can only choose rollover for shares you made a capital gain on, and you must have acquired the shares on or after 20 September 1985.

Further Information

For more information and a full explanation of these terms, see the Guide to capital gains tax (NAT 4151)

20609

# Example

14 September 2016

Print out the example worksheet so you can refer to it as you follow this example.

Jonathan owned 2,000 PBL shares (in two parcels) at the time of the restructure. The acquisition date and cost base of each parcel at the time of the restructure was:

- parcel 1, acquired on 14 December 2002, 1,000 shares, cost base $8,700
- parcel 2, acquired on 8 March 2003, 1,000 shares, cost base $7,900

Jonathan chose the PBL standard option for exchanging his PBL shares and scrip- for-scrip rollover.

Section 1: Details of your PBL shares

In columns 2, 3 and 4 Jonathan enters the acquisition date, the number of shares in each parcel and the cost base of each parcel respectively.

Section 2: Capital gain on the cash received

## Column 5: How much cash did you receive?

Jonathan received $3.00 for each of his PBL shares.

In column 5, he enters $3,000 ($3.00 X 1,000 shares) against parcel 1 and $3,000 against parcel 2.

## Column 6: Relevant proportion of cost base

Jonathan works out the relevant proportion of the cost base as follows:

parcel 1: $8,700 × 14.57% = $1,267.59
parcel 2: $7,900 × 14.57% = $1,151.03

## Column 7: What is your capital gain?

Jonathan works out the capital gain he made on the cash received for each parcel:

parcel 1: $3,000 - $1,267.59 (from column 6) = $1,732.41
parcel 2: $3,000 - $1,151.03 (from column 6) = $1,848.97

## Column 8: CGT discount

Jonathan acquired his PBL shares more than 12 months before the restructure, so these capital gain amounts are eligible for the CGT discount. He enters 'Y' in column 8 for each parcel.

Section 3: Cost base of your Crown shares

## Column 9: Acquisition date

Jonathan chose scrip-for-scrip rollover, so he copies the date he acquired his PBL shares from column 2 to column 9.

## Column 10: Number of shares received

Jonathan checks his advice from Crown, which tells him he received 2,000 shares. He enters this number at the bottom of the column.

As Jonathan chose the standard option, he received one Crown share for each of his PBL shares. He enters 1,000 shares in column 10 for each parcel. These add to the figure provided by Crown.

## Column 11: Cost base of your shares

Jonathan works out the cost base of each parcel of Crown shares as follows:

parcel 1: $8,700 - $1,267.59 - (column 10 x $3.70) = $3,732.41
parcel 2: $7,900 - $1,151.03 - (column 10 x $3.70) = $3,048.97

He enters these amounts in column 11 beside the parcels. These amounts are positive, so Jonathan did not make a capital gain under the demerger. He does not have to complete column 12.

Section 4: Cost base of your CMH shares

### Column 13: Number of shares

Jonathan received one CMH share for each Crown share he owned. He copies the figure from column 10 to column 13.

### Column 14: Acquisition date

This is a pre-filled column.

### Column 15: Cost base of shares

Jonathan works out the cost base of each parcel of CMH shares he received as follows:

1,000 x $3.70 = $3,700.00

He enters $3,700 against each of his parcels.

20609

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