AMP Limited (AMP): 2005 return of capital

If you were an individual investor in AMP find out about the return of capital AMP Limited made to shareholders 2005.

6 October 2009

Overview

This page contains information about the return of capital AMP Limited (AMP) made to shareholders 2005.

This information applies to you if:

- you are an individual **not** a company or trust
- you are an Australian resident for tax purposes
- you held shares in AMP and received the return of capital in June 2005
- you did not acquire your shares under an employee share scheme, and
- any gain or loss you made on the shares is a capital gain or capital loss - this means that you held your shares as an investment asset, **not**
  - as trading stock
  - as part of carrying on a business, or
  - to make a short-term or 'one-off' commercial gain.

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Background

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AMP announced a return of capital ('capital return') on 17 February 2005. All AMP shareholders registered on 26 May 2005 (the record date) will be entitled to the capital return. The payment of capital return is 16 June 2005.

Components of the capital return

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The capital return was $0.40 per share. This payment was a capital payment (it was not classed as a dividend for any purpose and had no dividend component).

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Are there any tax consequences for me?

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There are two tax consequences.

- The capital return on your shares is a capital gains tax (CGT) event that may have resulted in a capital gain for you. Depending on the outcome, you may have to include some details on your 2004-05 tax return.

- As a result of the return of capital, you must adjust the cost base of your AMP shares.

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What are the capital gains tax consequences for me?

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A CGT event happened on 16 June 2005, when AMP made a capital return on the shares that you held in the company.

You received $0.40 for each share that you held on the record date. This amount represents your capital proceeds.

If you held the shares when the return of capital was received

For AMP shares you held at the record date, you must:

- work out whether you have made a capital gain (you cannot make a capital loss on a return of capital)
- adjust the cost base and reduced cost base of your AMP shares that you held on 16 June 2005.

Did I make a capital gain?

You have made a capital gain if your cost base per share on the event date (16 June 2005) was less than the amount you received for each share ($0.40). For each of these shares, you have made a capital gain of:

> $0.40 *minus* the cost base of the share.

For shares with a cost base equal to or greater than $0.40, you have made no capital gain as a result of the return of capital.

For information on how to work out the cost base (and reduced cost base) for shares, see the *Guide to capital gains tax 2004-05*.

How do I adjust the cost base and reduced cost base of my AMP shares?

For the shares you made a capital gain on - reduce their cost base and reduced cost base to nil.

For your other shares - reduce the cost base and reduced cost base by $0.40 each. If any of your shares had a cost base of exactly $0.40, their new cost base and reduced cost base will be nil.

For more information on how to work out the cost base and the reduced cost base of shares, see the *Guide to capital gains tax 2004-05*.

If you no longer held the shares when the return of capital was received

If you disposed of the shares after the record date and before the return of capital was received, the return of capital is a CGT event separate from the CGT event on disposal. The cost base for the return of capital is nil. Therefore, you have made a capital gain from this event of $0.40 per share disposed.

If you acquired the shares disposed of before 16 June 2004, you apply the discount method to work out the capital gain.

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How do I treat the capital gain?

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If you made a capital gain on this CGT event, you must include it in your calculations when completing item **17** on your 2004-05 tax return (supplementary section).

The method you use to work out the amount to include in your item **17** calculations depends on when you acquired the shares. The following tables sets out what method you can use.

If you acquired your AMP shares:	You calculate your capital gain using the:
before 21 September 1999	indexed cost base or discount method, whichever gives you the better result*
on or after 21 September 1999 and before 16 June 2004	discount method (after applying any capital losses - including unapplied capital losses from previous years)
on or after 16 June 2004	other method.

* If you choose to index the cost base of shares you acquired before 21 September 1999, you cannot apply the CGT discount when you dispose of them.

For information on the different methods you can use to work out your capital gain, see the ***Guide to capital gains tax 2004-05***.

Note

If you did not make a capital gain on the return of capital, there is nothing you need to include on your 2004-05 tax return regarding this CGT event.

Example 1

Michael purchased 200 AMP shares in December 2001. At the time of the capital return on 16 June 2005, the cost base of these shares (includes the cost of the shares and brokerage and stamp duty) was $2,720 or $13.60 per share.

Michael received a total of $80 (200 x $0.40) in the return of capital.

Michael must adjust the cost base and reduced cost base of his AMP shares by subtracting the amount of the capital return. The new cost base for his share parcel is $2,640 ($2,720 - $80), or $13.20 per share.

Michael has not made a capital gain on his shares as a result of the capital return so he does not have to put anything on his tax return to reflect this event.

Example 2

Patricia bought 300 AMP shares in January 2003. She sold the shares on 9 June 2005. Consequently, Patricia held no AMP shares at the time of the capital return on 16 June 2005.

Because she held AMP shares on the record date (26 May 2005), Patricia is eligible to receive the capital return. Patricia received $120 (300 x $0.40) in the return of capital.

Calculating the capital gain

Patricia made a capital gain from the return of capital as follows:

Capital proceeds (300 x $0.40)	$120
less total cost base (300 x $0.00)	$0

Capital gain	$120

Because Patricia had held the shares for which the capital return was paid for more than 12 months, she applies the CGT discount to her capital gain (if she had capital losses she would offset them against her capital gain before applying the discount). If Patricia has no capital losses and applies the CGT discount, she will include a $60 ($120 × 50%) net capital gain on her tax return for the year ended 30 June 2005.

Recording the capital gain on the tax return

Assuming she had no other capital gains and no capital losses for the 2004-05 year, Patricia would complete item **17** on her 2005 tax return (supplementary section) showing:

Did you have a capital gains tax event during the year? Yes

Net capital gain: $60

Total current year capital gains: $120

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What to read/do next

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For more information about this return of capital, see Class Ruling CR 2005/28: Income tax: AMP Limited: proposed capital return. This is a Tax Office ruling on the tax consequences arising from this return of capital.

For more information about the tax implications of owning shares, see the following publications:

- *You and your shares 2004-05* (NAT 2632-6.2005) - this publication is for individuals investing in shares or convertible notes and offers guidance on the taxation of dividends from investments, allowable deductions from dividend income and record keeping requirements for investors.

- ***Guide to capital gains tax 2004-05*** (NAT 4151-6.2005) - this publication explains how capital gains tax works and will help you to calculate your net capital gain or net capital loss.

- ***Personal investors guide to capital gains tax 2004-05*** (NAT 4152-6.2005) - shorter than the ***Guide to capital gains tax 2004-05***, this publication covers the sale, gift or other disposal of shares or units, distribution of gains from managed funds and non-assessable payments from companies or managed funds.
  It does not cover CGT consequences for bonus shares, shares acquired under an employee share scheme, bonus units, rights and options, and shares and units where a takeover or demerger has occurred - for information on these CGT issues, you will need to refer to the ***Guide to capital gains tax 2004-05***.

For help applying this information to your own situation, phone us on **13 28 61**.

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