




 [Print whole section](#)

Personal investors guide to CGT 2007–08

A guide to your tax obligations if you made a capital gain or loss from shares, units or managed funds.

Last updated 22 July 2020

Copies of this publication

This publication can be downloaded in Portable Document Format (PDF): download the [Personal investors guide to capital gains tax 2007–08 \(PDF 960KB\)](#) .

Introduction



Part A: How capital gains tax applies to you



Part C: Distributions from managed funds



QC 27924

Introduction

Last updated 22 July 2020

This guide will help you complete:

- item **18 Capital gains** on your Tax return for individuals (supplementary section) 2008 (NAT 2679), or
- item **9 Capital gains** if you use Tax return for retirees 2008 (NAT 2597). **Note:** You cannot use *Tax return for retirees 2008* if you had a distribution from a managed fund during the year.

If you sold or otherwise disposed of shares, or units in a unit trust (including a managed fund), in 2007–08, read [part A](#) of this guide, then work through [part B](#).

If you received a distribution of a capital gain from a managed fund in 2007–08, read [part A](#) of this guide, then work through [part C](#).

Managed funds include property trusts, share trusts, equity trusts, growth trusts, imputation trusts and balanced trusts.

Small business CGT concessions

If you are involved in the sale of shares or units for a small business, you may wish to read [Small business CGT concessions](#).

Investments in foreign hybrids

A foreign hybrid is an entity that was taxed in Australia as a company but taxed overseas as a partnership. This can include a limited partnership, a limited liability partnership and a United States limited liability company.

If you have an investment in a foreign hybrid (referred to as being a member of a foreign hybrid), you are treated for Australian tax purposes as having an interest in each asset of the partnership.

As a consequence, any capital gain or capital loss made with respect to a foreign hybrid or its assets is taken to be made by the member. More information is available on our website.

General value shifting regime

If you own shares in a company or units (or other fixed interests) in a trust and value has been shifted in or out of your shares or units, you

may be affected by value shifting rules. Generally, the rules only affect individuals who control the company or trust, or individuals who are related to individuals or entities that control the company or trust.

For more information, see [General value shifting regime: who it affects](#).

Forestry managed investment schemes

The law has been changed to provide for specific CGT rules where secondary investors or subsequent participants hold forestry managed investment scheme (FMIS) interests on capital account. These new rules apply to FMIS interests sold or disposed of in the 2007–08 income year and later income years.

For more information, see the [Guide to capital gains tax 2008](#).

2008 budget announcements

Cancellation of interests in widely held entities

The government announced that it will legislate to allow taxpayers to calculate their capital gains or losses using the actual proceeds received, where shares or units in widely held entities are cancelled or surrendered. This will take effect from the 2007–08 income year.

Demutualisation of health insurers

The government announced that it will legislate to provide relief from CGT for policy holders of health insurers who receive shares when their insurer demutualises, with effect from 1 July 2007.

At the time of printing these instructions, the above two measures had not become law.

Removal of double taxation for employee share schemes

The government announced that it will legislate to remove double taxation that arises in relation to certain employee share schemes that use employee share trusts. The changes are intended to apply in relation to CGT events occurring from 7.30pm Australian Eastern Standard Time on 13 May 2008.

For more information, visit our website at www.ato.gov.au or phone the Business Infoline (see [More information](#)).

QC 27924

Part A: How capital gains tax applies to you

Last updated 22 July 2020

What is capital gains tax and what rate of tax do you pay?

New terms

Some terms in this section may be new to you. These words are explained in [Definitions](#).

While we have used the word 'bought' rather than 'acquired' in some of our examples, you may have acquired your shares or units without paying for them (for example, as a gift or through an inheritance or through the [demutualisation](#) of an insurance company such as AMP, IOOF or NRMA, or a demerger such as the demerger of BHP Steel Ltd (now known as BlueScope) from BHP Billiton Limited). If you acquired shares or units in any of these ways, you may be subject to [capital gains tax \(CGT\)](#) when you sell them or another [CGT event](#) happens.

Similarly, we sometimes refer to 'selling' shares or units although you may have disposed of them in some other way (for example, giving them away or transferring them to someone else). All of these methods of disposal are CGT events.

CGT is the tax you pay on any [capital gain](#) that you include on your annual income tax return. It is not a separate tax, merely a component of your income tax. You are taxed on your [net capital gain](#) at your marginal tax rate.

Your net capital gain is:

- your total capital gains for the year

minus

your total [capital losses](#) for the year and any [unapplied net capital losses from earlier years](#)

minus

- any CGT discount and small business CGT concessions to which you are entitled.

If your total capital losses for the year are more than your total capital gains, the difference is your [net capital loss](#) for the year. It can be carried forward to later [income years](#) to be deducted from future capital gains. (You cannot deduct capital losses or a net capital loss from your income.) There is no time limit on how long you can carry forward a net capital loss. You apply your net capital losses in the order that you made them. More information on how to apply your capital losses is in [step 8](#) of **Part B Sale of shares or units**, and [step 4](#) of **Part C Distributions from managed funds**.

You make a capital gain or a capital loss if a CGT event happens. The disposal of an asset is an example of a CGT event. You can also make a capital gain if a managed fund or other trust distributes a capital gain to you.

You write the total of your current year capital gains at **H** item **18** on *your Tax return for individuals (supplementary section) 2008*, or at **H** item **9** if you use *Tax return for retirees 2008*. (**Note:** You cannot use the tax return for retirees if you had a distribution from a managed fund during the year.)

You write your net capital gain at **A** item **18** on your tax return (supplementary section), or at **A** item **9** if you use the tax return for retirees.

This guide only covers capital gains or capital losses from [CGT assets](#) that are shares, units or other interests in managed funds.

Worldwide obligations

Australian residents can make a capital gain or capital loss if a CGT event happens to any of their assets anywhere in the world.

How to meet your CGT obligations

To meet your CGT obligations, follow these three main steps:

[Step 1](#) Decide whether a CGT event has happened.

[Step 2](#) Work out the time of the CGT event.

[Step 3](#) Calculate your capital gain or capital loss.

Keep your records

You need to keep good records of any assets you have bought or sold so you can correctly work out the amount of capital gain or capital loss you have made when a CGT event happens. You must keep these records for five years after the CGT event has happened.

You should also keep records relevant to a net capital loss that you carry forward as part of unapplied net capital losses. You may be able to apply this net capital loss against a capital gain in a later year.

Step 1 Decide whether a CGT event has happened

CGT events are the different types of transactions or events that may result in a capital gain or capital loss. A CGT event has happened if you have sold (or otherwise disposed of) your shares or units or other assets during 2007–08.

Examples of other CGT events that can happen to shares or units include:

- when a company makes a payment other than a dividend to you as a shareholder, or when a trust or fund makes a [non-assessable payment](#) to you as a unit holder
- when a liquidator or administrator declares that shares or financial instruments relating to a company are worthless, and
- when shares in a company are cancelled because the company is wound up.

In some cases, although CGT events may have happened to certain assets, any capital gains or capital losses from them are generally disregarded – for example, assets acquired before 20 September 1985.

For more information about CGT events, see the [Guide to capital gains tax 2008](#).

If a managed fund makes a capital gain and distributes part of that gain to you, you are treated as if you made a capital gain from a CGT

event.

If you did not make a capital gain or capital loss from a CGT event during 2007–08, print **X** in the **NO** box at **G** item **18** on your tax return (supplementary section), or at **G** item **9** if you use the tax return for retirees. (**Note:** You cannot use *Tax return for retirees 2008* if you had a distribution from a managed fund during the income year.)

If you did make a capital gain or capital loss from a CGT event during 2007–08, print **X** in the **YES** box. If the CGT event happened to your shares or units and the event is covered in this guide (see [About this guide](#)), read on. Otherwise, see the Guide to capital gains tax 2008.

Step 2 Work out the time of the CGT event

The timing of a CGT event is important because it determines which income year you show your capital gain or capital loss in. If you sell or otherwise dispose of an asset to someone else, the CGT event happens when you enter into the contract of sale. If there is no contract, the CGT event happens when you stop being the asset's owner.

If you received a distribution of a capital gain from a managed fund, you are taken to have made the capital gain in the income year shown on your statement from the managed fund.

Step 3 Calculate your capital gain or capital loss

There are three ways of calculating your capital gain or capital loss from the sale of your shares or units:

- the [indexation method](#)
- the [discount method](#), and
- the ['other' method](#).

The indexation method allows you to increase the amount that your asset cost (the [cost base](#)) by applying an [indexation factor](#) that is based on increases in the consumer price index (CPI) up to September 1999.

The indexation method can only be applied to assets that you acquired before 11.45am (by legal time in the ACT) on 21 September 1999.

If you use the discount method you do not apply the indexation factor to the cost base, but you can reduce your capital gain by the CGT

discount of 50% (after deducting any capital losses for the year and any unapplied net capital losses from earlier years) provided you have owned the shares or units for at least 12 months.

For assets that qualify for both the indexation and discount methods, you can choose the method that gives you the better result. You do not have to choose the same method for all your shares or units even if they are in the same company or fund. Because you must offset capital losses against capital gains before you apply the CGT discount, your choice may also depend on the amount of capital losses that you have available – see [example 18](#).

You must use the 'other' 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). To calculate your capital gain using the 'other' method, you simply subtract your cost base from what you have received – your [capital proceeds](#).

You make a capital loss from the sale of your shares or units if their [reduced cost base](#) is greater than your capital proceeds. You cannot index amounts included in your reduced cost base.

If you received a distribution of a capital gain from a managed fund, [part C](#) of this guide explains how you calculate the amount of that capital gain. You must use the same method as that chosen by the fund.

Table 1 explains and compares the three methods of calculating your capital gain.

Table 1: Capital gains calculation methods

| Method type | Indexation method | Discount method | 'Other' method |
|------------------------------|---|--|--|
| Description of method | Allows you to increase the cost base by applying an indexation factor based on CPI. | Allows you to halve your capital gain. | Basic method of subtracting the cost base from the capital proceeds. |
| When to use | Use for shares or units held for 12 months | Use for shares or units held | Use for shares or units if you |

| | | | |
|--|---|---|--|
| the method | or more, if this method produces a better result for you than the discount method. Use only with assets acquired before 11.45am (by legal time in the ACT) on 21 September 1999. | for 12 months or more, if this method produces a better result for you than the indexation method. | have bought and sold them within 12 months (that is, when the indexation and discount methods do not apply). |
| How to calculate your capital gain using the method | Apply the relevant indexation factors (see CPI table), then subtract the indexed cost base from the capital proceeds (see the worked examples in B2). | Subtract the cost base from the capital proceeds, deduct any capital losses, then divide by two (see the worked examples in B2). | Subtract the cost base from the capital proceeds (see the worked examples in B2). |

Exemptions and rollovers

There may be an exemption that allows you to disregard your capital gain or capital loss. For example, generally you disregard any capital gain or capital loss associated with any pre-CGT assets (assets you acquired before 20 September 1985).

There may be a [rollover](#) that allows you to defer your capital gain or capital loss. For example, if a company in which you hold shares is taken over or merges with another company, you may have a CGT obligation if you are required to dispose of your existing shares. If you exchanged your existing shares for shares in the takeover company this income year, you may be able to defer or roll over some or all of your capital gain (but not a capital loss) until a later CGT event

happens to your replacement shares. This is known as [scrip-for-scrip rollover](#).

Another example of a rollover is when you transfer a CGT asset to your former spouse as a result of a court order after a marriage breakdown. In this case, you do not make a capital gain or capital loss on the transfer – your former spouse may make a capital gain or capital loss when a later CGT event happens to the asset.

A rollover is also available for some [demergers](#) of corporate or trust groups.

Assets you did not buy and assets other than shares and units

If you have sold assets other than shares and units, have assets from a deceased estate or have several CGT events this income year, this publication does not provide you with enough detail. You need to read *Guide to capital gains tax 2008* to find out how to calculate and report your CGT obligations.

Records you need to keep

Most of the records you need to keep to work out your capital gain or capital loss when you dispose of shares in companies or units in unit trusts (including managed funds) will be given to you by the company, the unit trust manager or your stockbroker. It is important that you keep everything they give you about your shares and units.

These records will generally provide the following important information:

- the date you bought the shares or units
- the amount paid to buy the shares or units
- details of any non-assessable payments made to you during the time you owned the shares or units
- the date and amount of any calls if shares were partly paid
- the sale price if you sold them, and
- any commissions paid to brokers when you bought or sold them.

Part C: Distributions from managed funds

Last updated 22 July 2020

C1: How to work out your capital gains tax for a managed fund distribution

New terms: Some terms in this section may be new to you. These words are explained in [Definitions](#).

Remember: If your managed fund distribution (as advised by the fund) includes a capital gain amount, you include this amount at item **18 Capital gains** on your tax return (supplementary section). You do not include capital gains at item **12 Partnerships and trusts**.

Examples of managed funds include property trusts, share trusts, equity trusts, growth trusts, imputation trusts and balanced trusts.

Distributions from managed funds can include two types of amounts that affect your CGT obligation:

- capital gains, and
- non-assessable payments.

The following steps in this section show you how to record a capital gain distributed from a managed fund. [C2](#) covers non-assessable amounts which mostly affect the cost base of units but can create a capital gain.

Step 1 Work out the capital gain you have received from the managed fund

You need to know whether you have received any capital gain in your distribution – to find out, check the statement from your managed fund.

This statement should also show which method the fund has used to calculate the gain – the indexation, discount or 'other' method. You

must use the same method(s) as the fund to calculate your capital gain. (These methods are explained in [part A](#) and [part B](#), and in [Definitions](#).)

Fund managers may use different terms to describe the calculation methods and other terms used in this guide. For example, they may refer to capital gains calculated using the indexation method and the 'other' method as non-discount gains.

Step 2 Gross up any discounted capital gain you have received

If the fund has applied the CGT discount to your distribution, this is known as a [discounted capital gain](#).

You need to [gross up](#) any discounted capital gain distributed to you by multiplying the gain by two. This grossed-up amount is your capital gain from the fund. If the managed fund has shown the grossed-up amount of the discounted capital gain on your distribution statement, you can use that amount.

Example 21: Grossing up a capital gain

Tim received a distribution from a fund that included a discounted capital gain of \$400. Tim's statement shows that the fund had used the discount method to calculate the gain.

Tim grosses up the capital gain to \$800 (that is, $\$400 \times 2$).

Step 3 Work out your total current year capital gains

Add up all the capital gains you received from funds (grossed up where necessary) together with any capital gains from other assets. Write the total of all of your capital gains for the current year at **H** item **18** on your tax return (supplementary section).

If you have any capital losses, do not deduct them from the capital gains before showing the total amount at **H**.

Example 22: 'Other' method

Tim's fund also distributed a capital gain of \$100 calculated using the 'other' method. Tim includes \$900 ($\$800 + \100) at **H**

item **18** on his tax return (supplementary section).

Step 4 Applying capital losses against capital gains

If you have no capital losses from assets you disposed of this year and no unapplied net capital losses from earlier years, go to [step 5](#).

If you made any capital losses this year, deduct them from the amount you wrote at H. If you have unapplied net capital losses from earlier years, deduct them from the amount remaining after you deduct any capital losses made this year. Deduct both types of losses in the manner that gives you the greatest benefit.

Deducting your losses

You will probably get **the greatest benefit** if you deduct capital losses from capital gains distributed from the fund in the following order:

1. capital gains calculated using the 'other' method
2. capital gains calculated using the indexation method, and then
3. capital gains calculated using the discount method.

If the total of your capital losses for the current year and unapplied net capital losses from earlier years is greater than your capital gains for the current year, go to [step 7](#).

Example 23: Deducting capital loss

If Tim had a capital loss of \$200 when he sold another CGT asset, he deducts his capital loss (\$200) from his capital gain (\$900) and arrives at \$700. As he applied the loss first against the capital gain calculated using the 'other' method and then against the capital gain calculated using the discount method (after grossing it up), Tim can apply the CGT discount to the remaining \$700.

Losses from collectables and personal use assets

You can only use capital losses from collectables this year and unapplied net capital losses from collectables from earlier years to reduce capital gains from collectables. Jewellery, art and antiques are examples of collectables.

Losses from personal use assets are disregarded. Personal use assets are assets mainly used for personal use that are not collectables – such as a boat you use for recreation. For more information see the [Guide to capital gains tax 2008](#).

Step 5 Applying the CGT discount

If you have any remaining grossed-up discount capital gains you can now apply the CGT discount – if applicable – and reduce them by 50%.

Remember, you cannot apply the CGT discount to capital gains distributed from the fund calculated using the indexation or 'other' method.

Example 24: Applying the CGT discount

Tim has deducted his capital losses (including any unapplied net capital losses from earlier income years) from his capital gain. He now reduces the amount remaining by 50%:

$$\$700 \times 50\% = \$350$$

Tim has a capital gain of \$350.

Step 6 Write your net capital gain

The amount remaining after completing steps 1–5 is your net capital gain for the income year. Write this at **A item 18** on your tax return (supplementary section).

Example 25: Writing your net capital gain

Tim writes \$350 at **A item 18** on his tax return (supplementary section).

Step 7 Work out your carry-forward losses

If the total of your capital losses for the year and unapplied net capital losses from earlier years is greater than your capital gains for the year, you were directed to this step from [step 4](#).

Do not write anything at **A** item **18** on your tax return (supplementary section).

At **V** item **18** on your tax return (supplementary section), write the amount by which the total of your capital losses for the year and net capital losses from earlier years exceeds your capital gains for the year. You carry this amount forward to be applied against later year capital gains.

For more information about CGT and managed fund distributions, see the Guide to capital gains tax 2008.

C2: Non-assessable payments from a managed fund



QC 27924

C2: Non-assessable payments from a managed fund

Last updated 22 July 2020

Non-assessable payments from a managed fund to a unit holder are common and may be shown on your statement from the fund as:

- [tax-free amounts](#)
- [CGT-concession amounts](#)
- [tax-exempted amounts](#), or
- [tax-deferred amounts](#).

You may need to adjust the cost base and reduced cost base of your units depending on the kind of non-assessable payment you received.

Tax-free amounts relate to certain tax concessions received by the fund which enable it to pay greater distributions to its unit holders. If your statement shows any tax-free amounts, you adjust the reduced cost base (but not your cost base) of your units by these amounts.

Payments of amounts associated with building allowances which were made before 1 July 2001 were treated as tax-free amounts.

CGT-concession amounts relate to the CGT discount component of any actual distribution. Such amounts do not affect your cost base and reduced cost base if they were received after 30 June 2001. A CGT-concession amount received before 1 July 2001 is taken off the cost base and reduced cost base.

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

Tax-deferred amounts are other non-assessable amounts, including indexation received by the fund on its capital gains and accounting differences in income. You adjust the cost base and reduced cost base of your units by these amounts. Payments associated with building allowances which are made on or after 1 July 2001 are treated as tax-deferred amounts.

If the tax-deferred amount is greater than the cost base of your units, you include the excess as a capital gain. You can use the indexation method if you bought your units before 11.45am (by legal time in the ACT) on 21 September 1999.

You cannot make a capital loss from a non-assessable payment.

Note: As a result of recent stapling arrangements, some investors in managed funds have received units which have a very low cost base. The payment of certain non-assessable amounts in excess of the cost base of the units will result in these investors making a capital gain.

QC 27924

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into

account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).