Personal investors guide to capital gains tax 2024

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

Published 30 May 2024

Explains what question you need to complete in your tax return

Part A: How capital gains tax applies to you

How to meet your capital gains tax (CGT) obligations, and what exemptions and rollovers might be available to you.

Part B: Sale of shares or units

Explains how to work out your capital gain from the sale of shares, or units in a unit trust.

Part C: Distributions from managed funds

Explains legislative changes impacting capital gains of managed investment trusts and how to work out your capital gain.

Appendix

Find additional information to help you understand and complete your CGT obligations.

QC 101709

How to get the personal investors guide to capital gains tax

How to get a copy of the personal investors guide to capital gains tax.

Published 30 May 2024

Get the personal investors guide to capital gains tax instructions

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Continue to: **About the personal investors guide to capital gains tax**

QC 101709

About the personal investors guide to capital gains tax

Check when and when not to use this guide and new terms we use in this guide.

Published 30 May 2024

Who should use this guide?

Personal investors guide to capital gains tax 2024 explains the capital gains tax (CGT) consequences of:

- the sale or gift (or other disposal) of shares or units
- the receipt of distributions of capital gains from managed funds
- the receipt of non-assessable payments from companies or managed funds.

Use this guide if you are a personal investor who has made a capital gain or capital loss from shares, units or managed funds in 2023–24.

Who should not use this guide?

Don't use this guide if you:

- are an investor who is a foreign resident of Australia
- have gains or losses included as part of your income under other provisions of the tax law – for example, if you are carrying on a

business of share trading, see **Share investing versus share trading**

- are a resident investor who
  - had a period of non-residency after 8 May 2012, and
  - had a CGT event that happened after 8 May 2012, and
  - had a discount capital gain.

For more information, see **CGT discount for foreign residents**.

This guide doesn't explain more complex issues relating to shares (including employee shares), convertible notes and units. Nor does it apply to shares and units owned by companies, trusts and superannuation funds.

This guide doesn't cover your CGT consequences when you sell other assets such as:

- a rental property
- collectables (for example, jewellery, art, antiques and collections)
- assets for personal use (for example, a boat you use for recreation).

For more information, see **Guide to capital gains tax 2024**.

New terms

Some terms in this guide may be new to you. These words are in **bold** the first time they are used and are explained in **Tax time 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), or the demerger of Endeavour Group Limited from Woolworths Group 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.

Continue to: What's new for investors?

QC 101709

What's new for investors

Find out what's new in legislation or other changes for investors.

Published 30 May 2024

Off-market share buy-backs

If you participated in an off-market share buy-back which was announced and undertaken by a listed public company after 7:30pm AEDT on 25 October 2022, the payment you received is entirely capital proceeds and cannot include a franked, partially franked or unfranked dividend.

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General guidance

Explains what question you need to complete in your tax return and things that need to be taken into consideration.

Published 30 May 2024

Completing question 18 in your supplementary tax return

This guide will help you complete question **18 Capital gains** in your supplementary tax return.

If you sold or otherwise disposed of shares, or units in a unit trust (including a managed fund) in 2023–24, 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 2023–24, 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 and you would like more information, see **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 now treated as having an interest in each asset of the partnership for Australian tax purposes.

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.

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.

Forestry managed investment schemes

There are specific CGT rules where secondary investors or subsequent participants hold forestry managed investment scheme (FMIS) interests on capital account. These rules apply to FMIS interests sold or disposed of in 2007–08 and later income years.

For more information see Guide to capital gains tax 2024.

Continue to: Part A: How capital gains tax applies to you

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Part A: How capital gains tax applies to you

How to meet your capital gains tax (CGT) obligations, and what exemptions and rollovers might be available to you.

Published 30 May 2024

A1: What is capital gains tax and what rate of tax do you pay?

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.

To work out your net capital gain:

- take your total capital gains for the year
- subtract your total **capital losses** for the year and any **unapplied net capital losses from earlier years**
- subtract 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 can't 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 **question 18** – label **H** in your supplementary tax return. You write your net capital gain at **question 18** – label **A** in your supplementary tax return.

This guide only covers capital gains or capital losses from **CGT assets** that are shares, units or other interests in managed funds.

A2: 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.

A3: How to meet your CGT obligations

To meet your CGT obligations, follow these 3 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 5 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 income 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 2023–24.

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
- when a trust or fund makes a non-assessable payment to you as a unit holder
- where you have an annual cost base reduction that exceeds the cost base of your interest in an attribution managed investment trust (AMIT)
- when a liquidator or administrator declares that shares or financial instruments relating to a company are worthless
- 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 **Guide to capital gains tax 2024**.

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 didn't make a capital gain or capital loss from a CGT event during 2023–24, print **N** in the box at question **18** – label **G** in your supplementary tax return.

If you did make a capital gain or capital loss from a CGT event during 2023–24, print **Y** in the box. If the CGT event happened to your shares or units and the event is covered in this guide (see **About the personal investors guide to capital gains tax**), read on. Otherwise, see **Guide to capital gains tax 2024**.

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 3 ways of calculating your capital gain or capital loss from the sale of your shares or units:

- the **indexation method**
- the **discount method**
- 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 11:45 am AEST on 21 September 1999.

If you use the discount method you don't 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 don't 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 don't 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 can't 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 3 methods of calculating your capital gain.

Table 1: Capital gain calculation methods

Method	Indexation method	Discount method	‘Other’ method
Description of the method	Use to increase the cost base by applying an indexation factor based on CPI.	Use to halve your capital gain.	A basic method to subtract the cost base from the capital proceeds.
When to use the method	Use for shares or units held for 12 months or more, if this method produces a better result for you than the discount method. Use only with assets acquired before 11:45 am	Use for shares or units held for 12 months or more, if this method produces a better result for you than the indexation method.	Use for shares or units if you have bought and sold them within 12 months (that is, when the indexation and discount methods don't apply).

	AEST on 21 September 1999.		
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 Chapter B2).	Subtract the cost base from the capital proceeds, deduct any capital losses, then divide by 2 (see the worked examples in Chapter B2).	Subtract the cost base from the capital proceeds (see the worked examples in Chapter B2).

A4: 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 (married or de facto) as a result of a court order after a marriage or relationship breakdown. In this case, you don't 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. For more information, go to Relationship breakdown and capital gains tax.

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 sold assets other than shares and units, had assets from a deceased estate or had several CGT events this income year, this publication does not provide you with enough detail. See **Guide to capital gains tax 2024** to find out how to calculate and report your CGT obligations.

A5: 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
- any commissions paid to brokers when you bought or sold them.

Continue to: **Part B: Sale of shares or units**

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Part B: Sale of shares or units

Explains how to work out your capital gain from the sale of shares, or units in a unit trust.

Published 30 May 2024

B1: How to work out your capital gain or capital loss

To calculate your capital gain from the sale of shares, or units in a unit trust (for example, a managed fund), the 3 main steps are:

- Step 1 Work out your capital proceeds from the CGT event
- Step 2 Work out the cost base of your asset
- Step 3 Did you make a capital gain?

If you received more from the CGT event than the asset cost you (that is, the capital proceeds are greater than the cost base), the difference is your capital gain. The 3 ways of calculating your capital gain are described in **Part A – step 3**.

If you received less from the CGT event than the asset cost you (that is, the capital proceeds are less than the cost base), you then need to work out the asset's reduced cost base to see if you have made a capital loss. Generally, for shares, the cost base and reduced cost base are the same. However, they will be different if you choose the indexation method, because the reduced cost base can't be indexed.

If the reduced cost base is greater than the capital proceeds, the difference is a capital loss.

If the capital proceeds are less than the cost base but more than the reduced cost base, you have not made a capital gain or a capital loss.

The following steps (1–11) show you the calculations required to work out your CGT obligation using the 'other' and discount methods. If you want to use the indexation method (by indexing your cost base for inflation), you do this at Step 2. You may find it easier to follow the worked examples in Chapter B2.

You may find it useful to use notepaper to do your calculations while you work through the following steps so you can transfer the relevant amounts to question **18** in your supplementary tax return.

Step 1 Work out your capital proceeds from the CGT event

The capital proceeds are what you receive, or are taken to receive, when you sell or otherwise dispose of your shares or units.

For example, with shares the capital proceeds can be:

- the amount you receive from the purchaser
- the amount or value of shares or other property you receive on a merger or takeover
- the market value if you give shares away.

Example 1: capital proceeds

Fred sold his parcel of 1,000 shares for $6,000. Fred's capital proceeds are $6,000.

Step 2 Work out the cost base of your asset

In certain circumstances a cost base may be indexed up to 30 September 1999 in line with changes in the CPI; this is called the indexation method and the cost base would then become an 'indexed' cost base. For more information, see the worked examples in Chapter B2.

The cost base of your asset is the total of:

- what your asset cost you
- certain incidental costs of buying and selling it – brokerage or agent's fees, legal fees, stamp duty and investment advisers' fees (but not investment seminar costs)
- the costs of owning the asset, such as interest on monies borrowed to acquire the asset (generally, this will not apply to shares or units because you will usually have claimed or be entitled to claim these costs as tax deductions)
- any costs you incurred in establishing, maintaining and defending your ownership of it.

You may also need to adjust the cost base for an asset such as a share or unit by the amount of any non-assessable payment you received from the company or fund during the time you owned the share or unit. This is explained in Chapter B3 (shares) and **Chapter C2** (units).

For more information on how to determine your cost base and reduced cost base, see **Guide to capital gains tax 2024**.

Example 2: calculating the cost base

Fred bought the 1,000 shares that he sold in example 1 for $5 each ($5,000). When he bought them he was charged $50 brokerage and paid stamp duty of $25. When he sold the shares he paid $50 brokerage.

The cost base of his shares is:

$5,000 + $50 + $25 + $50 = $5,125.

Step 3 Did you make a capital gain?

Subtract the amount in step 2 from the amount in step 1.

If the capital proceeds are greater than the cost base, the difference is your capital gain.

Example 3: calculating capital gain

As Fred sold his shares for $6,000, he subtracts his shares' cost base of $5,125 from the capital proceeds of $6,000 to arrive at his capital gain, which is $875.

Step 4 If you didn't make a capital gain, work out the reduced cost base of the asset

If you didn't make a capital gain, you need to calculate a reduced cost base of your asset before you can work out any capital loss.

The reduced cost base is the cost base less any amounts you need to exclude from it.

Example 4: reduced cost base

In our example, Fred had no amounts to exclude, so the cost base and the reduced cost base for his shares are the same ($5,125).

For units in an attribution managed investment trust (AMIT), you may need to make upwards or downwards adjustments to the cost base and reduced cost base of your units, depending on your AMIT cost base net amount. Your fund should advise you of your AMIT cost base net amount (and other relevant amounts) in your AMMA statement.

For units in other funds, you may need to make downwards adjustments to the cost base and reduced cost base depending on the types of amounts distributed. Your fund should advise you of these amounts in its statements:

- **tax-deferred amount**; this reduces the cost base and the reduced cost base
- **CGT-concession amount**; if received before 1 July 2001, this reduces the cost base and reduced cost base (if received on or after 1 July 2001, it doesn't affect your cost base or your reduced cost base)
- **tax-free amount**; this reduces your reduced cost base only
- **tax-exempted amount**; this does not affect your cost base or reduced cost base.

Step 5 Did you make a capital loss?

If the capital proceeds are less than the reduced cost base, the difference is your capital loss.

Example 5: capital loss

If Fred had sold his shares for $4,000 instead of $6,000, he would have made a capital loss of $1,125 (that is, his reduced cost base of $5,125 less his capital proceeds of $4,000).

Step 6 Did you make neither a capital gain nor a capital loss?

If the capital proceeds are less than or equal to the cost base but more than or equal to the reduced cost base, you have not made a capital gain or a capital loss.

Example 6: neither capital gain nor capital loss

If Fred had sold his shares for $5,125 he would not have made a capital gain or a capital loss.

Step 7 Work out your total current income year capital gains

Write the total of the capital gains for all your assets for the current income year at question **18** – label **H** in your supplementary tax return.

If you had a distribution of capital gains from a managed fund, include this in your total capital gains. See **Step 3** in **Chapter C1**.

If you have any capital losses, don't subtract them from the capital gains before writing the total amount at label **H**.

Example 7: capital gains

Fred does not have any other capital gains. Therefore, from step 3, he writes $875 at question **18** – label **H** in his supplementary tax return.

Step 8 Applying capital losses against capital gains

If you don't have capital losses from assets you disposed of this year or unapplied net capital losses from earlier years, go to Step 9.

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

Subtracting your losses

You will probably get the greatest benefit if you subtract capital losses from capital gains in the following order:

1. capital gains for which neither the indexation method nor the discount method applies (that is, if you bought and sold your shares within 12 months)
2. capital gains calculated using the indexation method, and then
3. capital gains to which the CGT discount can apply.

Losses from collectables and personal use assets

You can use capital losses from collectables in this year and unapplied net capital losses from collectables from earlier income years only 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 **Guide to capital gains tax 2024**.

If the total of your capital losses for the year and unapplied net capital losses from earlier years is greater than your capital gains, go to Step 11.

Example 8: applying a net capital loss

Fred had a net capital loss of $75 from some shares that he sold last income year. Apart from his capital gain of $875 (see example 7) he had no other capital gains or capital losses this income year. Fred can reduce this income year's capital gain of $875 by $75. Fred's remaining capital gain is $800.

Step 9 Applying the CGT discount

If you have any remaining capital gains you can now apply the CGT discount, if it is applicable, and reduce them by 50%.

Remember, you can't apply the CGT discount to:

- capital gains calculated using the indexation method

- capital gains from CGT assets you bought and sold within 12 months.

Example 9: applying the CGT discount

As Fred owned his shares for at least 12 months, he can reduce his $800 gain by the CGT discount of 50% to arrive at a net capital gain of $400:

$800 × 50% = $400

Step 10 What is your net capital gain?

The amount now remaining is your net capital gain (cents are not shown). Write this amount at question **18** – label **A** in your supplementary tax return.

Example 10: net capital gain

Fred writes his net capital gain of $400 at question **18** – label **A** in his supplementary tax return.

Go to Chapter B2.

Step 11 does not apply if you have a net capital gain.

Step 11 Work out and show your carry-forward losses

If the total of your capital losses for the year and unapplied net capital losses from earlier income years is greater than your capital gains, you were directed to this step from step 8.

Don't write anything at question **18** – label A in your supplementary tax return.

At question **18** – label **V** in your supplementary tax return write the amount by which the total of your capital losses for the year and unapplied net capital losses from earlier income years is greater than your capital gains for the year. You carry this amount forward to be applied against later income year capital gains.

Example 11: carry-forward losses

Continuing the example from step 5, if Fred had no other capital gains or losses, he would write $1,125 at question **18** – label **V** in his supplementary tax return. He would leave blank at question **18** – labels **A** and **H** in his supplementary tax return.

B2: Worked examples for shares and units

The following examples show how CGT works in various situations where people have bought and sold shares and units. They may help you meet your CGT obligations and complete question **18** in your supplementary tax return.

Example 12: a capital gain from one parcel of shares that was bought and sold less than 12 months later.

Sonya bought 1,000 shares in Tulip Ltd for $1,500 including brokerage and sold them less than 12 months later for $2,350. She paid $50 brokerage on the sale. The sale is a CGT event.

As Sonya bought and sold the shares within 12 months, she uses the 'other' method to calculate her capital gain. She can't use the indexation or discount method. Her capital gain is:

$2,350 – ($1,500 + $50) = $800.

As she has no other CGT event and does not have any capital losses, Sonya writes the following at question **18** in her supplementary tax return:

- $800 at label **H**
- $800 at label **A**.

Example 13: a capital gain from the sale of units which was bought before 11:45 am AEST on 21 September 1999 and gave to a sibling more than 12 months later.

In May 1999, Andrew bought 1,200 units in Share Trust for $1,275 including brokerage. He gave the units to his brother more than 12 months later. At that time they were worth $1,595.

The gift is a CGT event. As Andrew bought the units before 21 September 1999 and he owned them for more than 12 months, he can use the indexation or discount method to calculate his capital gain, whichever method gives him the better result.

Indexation method

If Andrew calculates his capital gain or capital loss using the indexation method, he indexes the cost of his units and the incidental costs of buying them as follows:

- CPI for September 1999 quarter = 68.7
- CPI for June 1999 quarter = 68.1
- Indexation factor = 68.7 ÷ 68.1 = 1.009

His indexed cost base is worked out as follows:

- His cost ($1,275) × 1.009 = $1,286

So his capital gain is:

- Capital proceeds $1,595
- *minus* Indexed cost base $1,286
- **Capital gain $309**

Discount method

If Andrew uses the discount method, his capital gain is calculated as:

- Capital proceeds
  $1,595

- *minus* Cost base
  $1,275
- Total capital gain
  $320
- *subtract* CGT discount (see note)
  $160
- **Capital gain**
  $160

Andrew does not have any capital losses. If he did, he would deduct any capital losses before applying the CGT discount.

Andrew chooses the discount method because it gives him a smaller capital gain.

As he has no other CGT event and does not have any capital losses, Andrew writes the following at question **18** in his supplementary tax return:

- $320 at label **H**
- $160 at label **A**.

If Andrew had received a **non-assessable payment** from the fund, his cost base may have been reduced and the capital gain may have been greater. If the fund was an AMIT, Andrew's cost base may have been increased or decreased, and the capital gain should be calculated to reflect his adjusted cost base. For more information, see **Chapter C2**.

Example 14: a capital gain from one parcel of shares which was given before 11:45 am AEST on 21 September 1999 and sold more than 12 months later.

In October 1986, Fatima was given 500 shares in FJM Ltd with a market value of $2,500. She sold the shares last March for $4,500.

The sale is a CGT event. As Fatima acquired the shares before 21 September 1999 and owned them for more than 12 months, she can use the indexation or discount method to calculate her capital gain, whichever method gives her the better result.

Indexation method

If Fatima calculates her capital gain using the indexation method, the indexation factor is:

- CPI for September 1999 quarter = 68.7
- CPI for December 1986 quarter = 44.4
- Indexation factor = 68.7 ÷ 44.4 = 1.547

Her indexed cost base is:

- $2,500 × 1.547 = $3,868.00

So her capital gain is calculated as follows:

- Capital proceeds
  $4,500
- *minus* Indexed cost base
  $3,868
- **Capital gain**
  $632

Discount method

If Fatima uses the discount method, her capital gain is calculated as:

- Capital proceeds
  $4,500
- *minus* Cost base
  $2,500
- Total capital gain
  $2,000
- *minus* CGT discount (see note)
  $1,000
- **Capital gain**
  $1,000

Fatima doesn't have any capital losses. If she did, she would deduct any capital losses before applying the CGT discount.

Fatima chooses the indexation method because it gives her a smaller capital gain.

As she has no other CGT event and does not have any capital losses, Fatima writes the following at question **18** in her supplementary tax return:

- $632 at label **H**
- $632 at label **A**.

Example 15: a capital gain from some units bought after 11:45 am AEST on 21 September 1999 and redeemed less than 12 months later.

Colin bought 500 units in Equity Trust for $3,500 in October and redeemed them less than 12 months later in June for $5,000 by switching, or transferring, his units from a share fund to a property fund. The redeeming of units is a CGT event.

As Colin owned the units for less than 12 months, he calculates his capital gain using the ‘other’ method.

Colin’s capital gain is:

- Capital proceeds
  $5,000
- *minus* Cost base
  $3,500
- **Capital gain**
  $1,500

As he had no other CGT event and does not have any capital losses, Colin writes the following at question **18** in his supplementary tax return:

- $1,500 at label **H**

- $1,500 at label **A**.

If Colin had received a **non-assessable payment** from the fund, his cost base may have been adjusted and the capital gain may have been greater. If the fund was an AMIT, Colin's base may have been increased or decreased, and the capital gain should be calculated to reflect his adjusted cost base. For more information, see Chapter C2.

Example 16: a capital gain from some shares bought after 11:45 am AEST on 21 September 1999 and sold more than 12 months later. They also have a net capital loss from an earlier income year.

Mei-Ling bought 400 shares in TKY Ltd for $15,000 in October 1999 and sold them for $23,000 last February. The sale is a CGT event. She also has a net capital loss of $1,000 from an earlier income year that has not been applied against later income year capital gains.

As she bought the shares after 21 September 1999, Mei-Ling can't use the indexation method. However, as she owned the shares for more than 12 months, she can use the discount method. Her capital gain is:

- Capital proceeds
  $23,000
- *minus* Cost base
  $15,000
- Total capital gain
  $8,000
- *minus* net capital loss
  $1,000
- Capital gain (before applying the CGT discount)
  $7,000

- *minus* CGT discount
  $3,500
- **Capital gain**
  $3,500

As she has no other CGT event, Mei-Ling writes the following at question **18** in her supplementary tax return:

- $8,000 at label **H**
- $3,500 at label **A**.

Example 17: a capital loss from one parcel of shares bought before 11:45 am AEST on 21 September 1999 and sold more than 12 months later.

In October 1986, Mario purchased 2,500 shares in Machinery Manufacturers Ltd for $2,650 including brokerage. He sold the shares last March for $2,300 and paid $50 brokerage costs. Mario also made a capital loss of $350 on some shares he sold in 1999–2000 but had not made any capital gain since then that he could use to offset his capital losses.

The sale is a CGT event. Mario purchased the Machinery Manufacturers Ltd shares before 11:45 am AEST on 21 September 1999 but he made a capital loss, so neither the indexation nor the discount method applies.

Mario calculates his capital loss for the current income year as follows:

- Reduced cost base ($2,650 + $50) = $2,700
- *minus* capital proceeds = $2,300
- **Capital loss = $400**

The net capital losses that Mario can carry forward to reduce capital gains he may make in later income years are:

- Net capital loss for 2023–24 = $400

- *plus* net capital loss for 1999–2000 = $350
- **Net capital losses carried forward to later income years = $750**

As he has no other capital gains or capital losses, Mario writes $750 at question **18** – label **V** in his supplementary tax return He doesn't write anything at question **18** – label **A**.

Example 18: capital gains from shares bought before 11.45am AEST on 21 September 1999 and had capital losses carried forward from a previous income year.

Clare sold a parcel of 500 shares last March for $12,500 ($25 each). She had acquired the shares in March 1995 for $7,500 ($15 each), including stamp duty and brokerage costs. There were no brokerage costs on sale. Clare had no other capital gains or capital losses for the current income year, although she has $3,500 unapplied net capital losses carried forward from earlier income years.

Because Clare owned the shares for more than 12 months, and because she acquired the shares before September 1999, she can use the discount method or the indexation method to work out her capital gain, whichever gives her a better result. Clare firstly works out her net capital gain by applying both the indexation method and the discount method to the whole parcel of shares:

Calculation of net capital gain using indexation and discount methods

Calculation element	Using indexation method $	Using discount method $

Capital proceeds	12,500	12,500
Cost base	8,078 (see Note 1 below)	7,500
Capital gain	4,422	5,000
subtract capital losses	3,500	3,500
Equals	**922**	**1,500**
50% CGT discount	Not applicable	750
Net capital gain	**922**	**750**

Note 1: (68.7 ÷ 63.8 = 1.077) ($7,500 × 1.077 = $8,078)

However, because each share is a separate asset, Clare can use different methods to work out her capital gains for shares within the parcel. The lowest net capital gain would result from her applying the indexation method to sufficient shares to absorb the capital loss (or as much of the capital loss as she can) and apply the discount method to any remaining shares. Clare therefore applies the indexation method to the sale of 396 (see Note 2) shares and the discount method to the remaining 104.

Note 2: To calculate this, Clare worked out the capital gain made on each share using the indexation method ($4,422 ÷ 500 = 8.84) and divided the capital loss by this amount ($3,500 ÷ 8.84 = 396).

She works out her net capital gain as follows:

Indexation method (396 shares)

- Capital proceeds ($25 each)
  $9,900
- Cost base (396 × $15 × 1.077)
  $6,397

- Capital gain
  $3,503
- *minus* Capital losses
  $3,500
- **Net capital gain**
  $3

Discount method (104 shares)

- Capital proceeds ($25 each)
  $2,600
- Cost base (104 × $15)
  $1,560
- Capital gain
  $1,040
- *minus* 50% CGT discount
  $520
- **Net capital gain**
  $520

As she has no other capital gains or capital losses, Clare writes the following at question **18** in her supplementary tax return:

- $4,543 at label **H**
- $523 at label **A**.

Clare doesn't write anything at question **18** – label **V**.

B3: Additional information for shares and units

This chapter briefly explains less common situations for personal investors, including those arising from:

- rights or options
- stapled securities
- non-assessable payments

- share buy-backs
- takeovers and mergers
- demergers
- dividend reinvestment plans
- bonus shares and bonus units
- dividends paid by listed investment companies (LIC) that include a LIC capital gain.

Rights or options to acquire shares or units

If you hold shares or units, you may be issued rights or options to acquire additional shares or units at a specified price.

Rights or options issued directly to you from a company or trust for no cost

You are taken to have acquired the rights or options at the same time you acquired the original shares or units. Therefore, if you acquired the original shares or units before 20 September 1985, any capital gain or capital loss you make when the rights or options expire or are sold is disregarded as they are pre-CGT assets.

If you acquired the original shares or units on or after 20 September 1985, you make a capital gain if the capital proceeds on the sale or expiry of the rights or options are more than their cost base. You make a capital loss if the reduced cost base of the rights or options is more than those capital proceeds.

Rights and options you paid to acquire from a company or trust, or that you acquired from another person

If you acquired your rights or options on or after 20 September 1985, they are treated much like any other CGT asset and are subject to CGT.

Special rules apply if you exercise the rights or options. For more information, or if you acquire rights or options under an employee share scheme, see **Guide to capital gains tax 2024**.

Stapled securities

Stapled securities are created when 2 or more different securities are legally bound together so that they can't be sold separately. Many different types of securities can be stapled together, for example, many property trusts have their units stapled to the shares of companies with which they are closely associated.

The effect of stapling depends upon the specific terms of the stapling arrangement. The issuer of the stapled security will be able to provide you with detailed information on their particular stapling arrangement. However, in general the effect of stapling is that each individual security retains its character and there is no variation to the rights or obligations attached to the individual securities.

Although a stapled security must be dealt with as a whole, the individual securities that are stapled are treated separately for tax purposes. For example, if a share in a company and a unit in a unit trust are stapled, you:

- continue to include separately in your tax return dividends from the company and trust distributions from the trust
- work out any capital gain or capital loss separately for the unit and the share.

Because each security that makes up your stapled security is a separate CGT asset, you must work out a cost base and reduced cost base for each separately.

If you acquired stapled securities (for example, you bought the stapled securities on the ASX), you apportion, on a reasonable basis, the amount you paid to acquire the stapled security (and any other relevant costs) among the various securities (share and unit trust) that are stapled. One reasonable basis of apportionment is to have regard to the portion of the value of the stapled security that each security represented. The issuer of the stapled security may provide assistance in determining these amounts.

If you acquired your stapled securities as part of a corporate restructure you will, during the restructure, have owned individual securities that were not stapled. The way you work out the cost base and reduced cost base of each security depends on the terms of the stapling arrangement. The issuer of the stapled security may provide information to help you determine these amounts.

When you dispose of your stapled securities, you must divide the capital proceeds (on a reasonable basis) between the securities that make up the stapled security and then work out whether you have made a capital gain or capital loss on each security. The issuer of the stapled security may provide information to help you determine these amounts.

For examples covering stapled securities, see **Guide to capital gains tax 2024**.

Non-assessable payments

There can be non-assessable payments for both shares and units.

Non-assessable payments from a company to a shareholder

Non-assessable payments to shareholders are usually called a return of capital. If you received a payment from a company in respect of your shares and it was not a dividend, you deduct the amount of the payment from both the cost base and the reduced cost base of your shares.

If the non-assessable payment is greater than the cost base or reduced cost base of your shares, you include the excess as a capital gain. The capital gain is discounted if you held the shares for at least 12 months. If you use the indexation method to work out the amount of this capital gain, you can't use the discount method to work out a capital gain when you later sell the shares or units.

Non-assessable payments from a managed fund to a unit holder

The treatment of these payments is similar to non-assessable payments from a company to a shareholder. For more information, see **Chapter C2**.

Non-assessable payments under a demerger

If you receive a non-assessable payment under an eligible demerger, you don't deduct the payment from the cost base and reduced cost base of your shares or units. You may make a capital gain on the non-assessable payment if it exceeds the cost base of your original share or unit, although you will be able to choose a rollover. You need to recalculate your cost base and reduced cost base under the demerger rules.

An eligible demerger is one that happens on or after 1 July 2002 and satisfies certain tests. The head entity will normally advise shareholders or unit holders if this is the case.

For more information, see **Guide to capital gains tax 2024**.

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.

You compare the capital proceeds with your cost base and reduced cost base to work out whether you have made a capital gain or capital loss.

The time you make the capital gain or capital loss will depend on the conditions of the particular buy-back offer.

For an off-market share buy-back announced and undertaken by a listed public company after 7:30 pm (AEDT) on 25 October 2022, no part of the buy-back price will be treated as a dividend. Instead, the entire buy-back price is treated as capital proceeds. For more information, see **Improving the integrity of off-market share buy-backs**. Under other off-market buy-backs, where a dividend is paid as part of the buy-back price, the amount paid excluding the dividend is generally your capital proceeds for the share.

Example 19: off-market share buy-back of shares held in a private company including dividend

Ranjini bought 10,000 shares in Company M, a private company, in January 2003 at a cost of $6 per share, including brokerage. The shares in Company M are not listed on a stock exchange.

In January 2023, the company wrote to its shareholders advising them it was offering to buy back 10% of their shares for $9.60 each. The buy-back price was to include a franked dividend of $1.40 per share (and each dividend was to carry a franking credit of $0.60).

Ranjini applied to participate in the buy-back to sell 1,000 of her shares.

Company M approved the buy-back last April on the terms anticipated in its earlier letter to shareholders.

The market value of Company M shares at the time of the buy-back (if the buy-back didn't occur and was never proposed) was $10.20.

Ranjini received a cheque for $9,600 (1,000 shares × $9.60) last May.

Because it was an off-market share buy-back; the shares were not held in a listed public company; and the buy-back price was less than what the market value of the share would have been if the buy-back hadn't occurred, Ranjini works out her capital gain as follows:

Capital proceeds per share

= $10.20 (market value) − $1.40 (dividend)

= $8.80

Total capital gain:

- Capital proceeds $8.80 × 1000 shares = $8,800
- Cost base $6 × 1000 shares = $6,000
- Capital gain (before applying any discount)
  $8,800 − $6,000 = $2,800

Ranjini takes her capital gain into account in completing question **18** in her supplementary tax return. She also includes her dividend by writing $1,400 (her franked dividend amount) at question **11** in her tax return and $600 (her franking credit) at question **11** in her tax return.

Takeovers and mergers

If a company in which you held shares was taken over and you received new shares in the takeover company (the offeror), you may be entitled to a scrip-for-scrip rollover for any capital gain you made. This means you can defer the capital gain made on the disposal of your old shares until a later CGT event happens to your new shares. Usually, the takeover company would advise you if the scrip-for-scrip rollover conditions were satisfied.

If you also received some cash from the takeover company, you only get rollover on the proportion of the original shares for which you received shares in the takeover company. You will need to apportion the cost base of the original shares between the replacement shares and the cash.

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.

Scrip-for-scrip rollover may also be available to the extent that units in a managed fund are exchanged for units in another managed fund.

For more information about takeovers and mergers, see **Guide to capital gains tax 2024**.

Demergers

A demerger involves the restructuring of a corporate or fixed trust group by splitting its operations into 2 or more entities or groups. Under a demerger, the owners of the head entity of the group (that is, the shareholders of the company or unit holders of the trust) acquire a direct interest (shares or units) in an entity that was formerly part of the group.

If you owned interests in a company or fixed trust that is the head entity of a demerger group and you received new interests in the demerged company or trust, you may be entitled to a **demerger rollover**.

Generally, the head entity undertaking the demerger will advise whether you are entitled to **rollover**, 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 a rollover is available. Even if you don't choose a rollover, you must recalculate the cost base and reduced cost base of each of your original interests in the head entity and your new interests in the demerged entity.

For more information, see:

- **Demergers calculator**
- Taxation Determination **TD 2020/6** *Income tax: what is a 'restructuring' for the purposes of subsection 125-70(1) of the Income Tax Assessment Act 1997?*

Dividend reinvestment plans

Under these plans, shareholders can choose to use their dividend 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 and you must make a separate calculation when you sell them.

For more information about the topics covered in this chapter, including demergers, see **Guide to capital gains tax 2024** and **You and your shares 2024**.

Bonus shares and bonus units

Bonus shares are additional shares received by a shareholder in respect of shares already owned. These shares may be received by a shareholder wholly or partly as a dividend. The shareholder may also pay an amount to get them.

Bonus units may also be received in a similar way.

The CGT rules for bonus shares and bonus units are very similar. If you have sold bonus shares or bonus units, see **Guide to capital gains tax 2024**.

Dividends paid by listed investment companies (LIC) that include a LIC capital gain

If a LIC pays a dividend to you that includes a LIC capital gain amount, you may be entitled to an tax deduction.

You can claim a deduction if:

- you are an individual
- you were an Australian resident when a LIC paid you a dividend
- the dividend included a LIC capital gain amount.

The amount of the deduction is 50% of the LIC capital gain amount. The LIC capital gain amount will be shown separately on your dividend statement.

You **don't** write the LIC capital gain amount at question **18** in your supplementary tax return.

Example 20: LIC capital gains

Ben, an Australian resident, was a shareholder in XYZ Ltd, a LIC. Last March, Ben received a dividend from XYZ Ltd of $70,000 including a LIC capital gain amount of $50,000. Ben can claim a $30,000 franking credit relating to the dividend.

Amounts Ben includes in his tax return

Tax return label	Amount
Franked amount (at question **11** – label **T** in his tax return)	$70,000
Franking credit (at question **11** – label **U** in his tax return)	$30,000
Amount included in total income	$100,000
Deduction for LIC capital gain (claimed at question **D8** in his tax return)	$25,000

Continue to: Part C: Distributions from managed funds

Return to: Part A: How capital gains tax applies to you

QC 101709

Part C: Distributions from managed funds

Explains legislative changes impacting capital gains of managed investment trusts and how to work out your capital gain.

Published 30 May 2024

Legislative changes impacting capital gains of managed investment trusts

The changes include:

- Attribution managed investment trusts
- Streaming
- Stapled structures

Attribution managed investment trusts

A managed investment trust (MIT) may be able to choose to apply the attribution rules contained within a specific tax system for MITs as set out in Division 276 of the *Income Tax Assessment Act 1997*. Where that choice is made, the MIT becomes an attribution managed investment trust (AMIT).

Generally, these rules apply to 'attribute' amounts for tax purposes to each member based on their interest in the AMIT, rather than the member being taxed based on their 'present entitlement' to the income of the trust.

The attribution rules ensure that, for tax purposes, amounts attributed to you by the trust:

- keep their tax character
- flow through to you, and
- are treated as if you had received the amount directly in your own right (though in the same circumstances as received by the AMIT).

In relation to capital gains, these rules mean you will treat the capital gains component of your trust income as being a capital gain that you made.

The share of trust amounts attributed to you is shown on your member statement, which for an AMIT is called an AMIT member annual statement (AMMA statement) (similar to the standard distribution statement provided by a managed fund).

Otherwise, for members (unitholders) of an AMIT, there should be little practical difference to the way trust capital gains are included in your tax return.

In addition, the cost base of your units in an AMIT may also be subject to annual upward or downward adjustments (see Cost base adjustments for AMIT members).

For more information, see Managed investment trusts – overview.

Streaming

In June 2011, amendments were enacted that allow the streaming of capital gains and franked dividends to beneficiaries, subject to relevant integrity provisions.

The amendments apply from 2017–18 to MITs which have not previously made an election to apply the amendments. For MITs which have previously made an election to apply the amendments, the amendments continue to apply in 2017–18 and onwards.

The amendments don't apply to AMITs, which are subject to the separate attribution rules that enable capital gains and franked distributions to be attributed to members for tax purposes.

Stapled structures

Since 1 July 2019, laws:

- address risks posed by arrangements involving stapled structures
- limit access to concessions available to foreign investors for passive income.

A stapled structure is an arrangement where 2 or more entities that are commonly owned (at least one of which is a trust) are bound together, such that interests in them (for example, shares or units) can't be bought or sold separately. The measures may change the rate of MIT withholding tax that is applied to trading income that is converted to passive income via a stapled structure or distributed by a trading trust.

For more information, see Stapled structures.

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

Some **terms** in this section may be new to you, these terms are explained in Tax time definitions.

If your managed fund distribution (as advised by the fund) includes a capital gain amount, you include this amount at question **18 Capital gains** in your supplementary tax return. You don't include capital gains at question **13 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 2 types of amounts that affect your CGT obligation:

- capital gains
- non-assessable payments.

The following steps in this section show you how to record a capital gain distributed from a managed fund. Chapter 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 methods as the fund to calculate your capital gain. (These methods are explained in Part A and Part B, and in **Tax time 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 2. 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 × 2).

Step 3 Work out your total current income 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 question **18** – label **H** in your supplementary tax return.

If you have any capital losses, don't deduct them from the capital gains before showing the total amount at label **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 question **18** – label **H** in his supplementary tax return.

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 income years, go to Step 5.

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

Subtracting your losses

You will probably get the greatest benefit if you subtract 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 or the discount method.

If the total of your capital losses for the current year and unapplied net capital losses from earlier income years is greater than your capital gains for the current year, go to Step 7.

Example 23: subtracting capital loss

If Tim had a capital loss of $200 when he sold another CGT asset, he subtracts 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 income 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 **Guide to capital gains tax 2024**.

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 can't 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 × 50% = $350

Tim has a net capital gain of $350.

Step 6 Write your net capital gain in your tax return

The amount remaining after completing steps 1–5 is your net capital gain for the income year. Write this at question **18** – label **A** in your supplementary tax return.

Example 25: writing your net capital gain in your tax return

Tim writes $350 at question **18** – label **A** in his supplementary tax return.

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 income years is greater than your capital gains for the year, you were directed to this step from step 4.

Don't write anything at question **18** – label **A** in your supplementary tax return.

At question **18** – label **V** in your supplementary tax return, write the amount by which the total of your capital losses for the year and net capital losses from earlier income years exceeds your capital gains for the year. You carry this amount forward to be applied against later income year capital gains.

For more information about CGT and managed fund distributions, see Guide to capital gains tax 2024.

C2: Non-assessable payments from a managed fund

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
- 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. Slightly different rules apply to AMITs.

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 don't 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 non-assessable non-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 don't 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 11:45 am AEST on 21 September 1999.

You can't make a capital loss from a non-assessable payment.

As a result of some stapling arrangements, investors in some 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.

Cost-base adjustments for AMIT members

You may need to make an upwards or a downwards adjustment to the cost base of your units (or other membership interests) in an AMIT. Upwards adjustments are only available for units in trusts that are AMITs. For more information on the rules for AMITs, see Attribution managed investment trusts.

The amount of any annual upwards or downwards cost base adjustment to your units is determined by your **AMIT cost base net amount**. The AMIT will calculate your AMIT cost base net amount, which is the balance of your AMIT cost base reduction amount and your AMIT cost base increase amount. You will not need to refer separately to tax-free or tax-deferred amounts to determine the cost base adjustment for your units in an AMIT, however these amounts should broadly be reflected in the AMIT cost base net amount calculated by the AMIT.

Effectively, the cost base adjustment rules for AMITs apply to:

- increase the cost base of your units by your **AMIT cost base increase amount**, being
  - amounts attributed to you by the AMIT that are to be included in your assessable income or your non-assessable non-exempt income for the income year, *plus*
  - amounts attributed to you by the AMIT for the income year that relate to trust capital gains
- reduce the cost base amount of your units by your **AMIT cost base reduction amount**, being
  - the actual cash payments you received (or have a right to receive) in relation to your units, plus

- amounts of any tax offsets that you have for the income year in respect of amounts attributed to you by the AMIT.

If your AMIT cost base reduction amount exceeds your AMIT cost base increase amount, the excess is your AMIT cost base net amount and this amount is used to reduce the cost base of your units. If the AMIT cost base net amount is greater than your cost base, it will reduce your cost base to nil, and any remaining amount will result in a capital gain. If the AMIT cost base net amount is less than your cost base, your cost base amount will be decreased, which could result in a greater capital gain or reduced capital loss on the disposal of your units in the AMIT. The same adjustments are also made to your reduced cost base.

If your AMIT cost base reduction amount falls short of your AMIT cost base increase amount, the shortfall is your AMIT cost base net amount and this amount is used to increase the cost base and reduced cost base of your units. This could result in a reduced capital gain or increased capital loss on disposal of your units.

Your statement of distribution (called an AMMA statement) from the AMIT should show the AMIT cost base net amount and other information relevant to your cost base and reduced cost base.

For more information, see Law Companion Ruling **LCR 2015/11** *Attribution Managed Investment Trusts: annual cost base adjustments for units in an AMIT and associated transitional rules*.

C3: Worked examples for managed fund distributions

The following worked examples take the steps explained in Chapter **C1** and put them into different scenarios to demonstrate how they work.

If you have received a distribution from a managed fund, you may be able to apply one or more of these examples to your circumstances to help you work out your CGT obligations for 2023–24 and complete **question 18** in your supplementary tax return.

Example 26: receiving a non-assessable amount from a managed fund

Bob owns units in OZ Investments Fund, which distributed income to him last May. The fund gave him a statement showing his distribution included the following capital gains:

- $100 calculated using the discount method (grossed-up amount $200)
- $75 calculated using the indexation method
- $28 calculated using the 'other' method.

These capital gains add up to $203.

The statement shows Bob's distribution included a $105 tax-deferred amount.

From his records, Bob knows that the cost base and reduced cost base of his units are $1,200 and $1,050 respectively.

Bob has no other capital gains or capital losses for the income year.

Bob follows these steps to work out the amounts to write in his tax return.

As Bob has a capital gain which the fund reduced by 50% under the discount method ($100), he includes the grossed-up amount ($200) in his total current income year capital gains.

To work out his total 2023–24 capital gains Bob adds the grossed-up amount to his capital gains calculated using the indexation method and 'other' method:

$200 + $75 + $28 = $303

As Bob has no other capital gains or capital losses and he must use the discount method in relation to the discounted capital gain from the trust, his net capital gain is equal to the amount of capital gain included in his distribution from the fund ($203).

Bob writes the following at question **18** in his supplementary tax return:

- $303 at label **H**
- $203 at label **A**.

Other CGT consequences for Bob (where OZ Investments Fund is not an AMIT)

The tax-deferred amount Bob received is not included in his income or capital gains, but it affects the cost base and reduced cost base of his units in OZ Investments Fund for future income years.

Bob deducts the tax-deferred amount from both the cost base and reduced cost base of his units as follows:

Overall cost base

Element	Amount ($)
Cost base	1,200
minus tax-deferred amount	105
New cost base	1,095
Reduced cost base	1,050
minus tax-deferred amount	105
New reduced cost base	**945**

A CGT-concession amount is only taken off the cost base and reduced cost base if it was received **before** 1 July 2001.

If OZ Investments Fund is an AMIT, Bob should instead refer to the AMIT cost base net amount to determine any cost base adjustment.

Example 27: a capital loss that is greater than the capital gains calculated under the indexation method and 'other' method

Ilena invested in XYZ Managed Fund. The fund makes a distribution to Ilena last April and gives her a statement that shows her distribution included:

- $65 discounted capital gain
- $50 capital gain calculated using the 'other' method
- $40 capital gain calculated using the indexation method.

The statement shows Ilena's distribution also included:

- $30 tax-deferred amount, and
- $35 tax-free amount.

Ilena has no other capital gain but made a capital loss of $100 when she sold some shares during the income year.

From her records, Ilena knows the cost base of her units is $5,000 and their reduced cost base is $4,700.

Ilena has to treat the capital gain component of her fund distribution as if she made the capital gain. To complete her tax return, Ilena must identify the capital gain component of her fund distribution and work out her net capital gain.

Ilena follows these steps to work out the amounts to show at question **18** – label **H** in her supplementary tax return.

As Ilena has a $65 capital gain which the fund reduced by the CGT discount of 50%, she must gross up the capital gain. She does this by multiplying the amount of the discounted capital gain by 2:

$65 × 2 = $130

To work out her total current income year capital gains, Ilena adds her grossed-up capital gain to her capital gains calculated under the indexation method and 'other' method:

$130 + $50 + $40 = $220

She shows her total current income year capital gains ($220) at question **18** – label **H** in her supplementary tax return.

Now Ilena subtracts her capital losses from her capital gains.

Ilena can choose which capital gains she subtracts her capital losses from first. In her case, she will receive a better result if she:

1. subtracts as much as possible of her capital losses (which were $100) against her indexed and 'other' method capital gains. Her gains under these methods were $40 and $50 respectively (a total of $90), so she subtracts $90 of her capital losses from these capital gains

   $90 − $90 = $0 (indexed and 'other' method capital gains)

2. subtracts her remaining capital losses after step 1 ($10) against her discounted capital gains ($130)

   $130 − $10 = $120 (discounted capital gains)

3. applies the CGT discount to her remaining discounted capital gains

   ($120 × 50%) = $60 (discounted capital gains).

Finally, Ilena adds up the capital gains remaining to arrive at her net capital gain:

> $0 (indexed and 'other') + $60 (discounted) = $60 net capital gain

Ilena writes the following at question **18** in her supplementary tax return:

- $220 at label **H**
- $60 at label **A**.

Other CGT consequences for Ilena (where XYZ Managed Fund is not an AMIT)

The tax-deferred and tax-free amounts Ilena received are not included in her income or her capital gain but the tax-deferred amount affects the cost base and reduced cost base of her units in XYZ Managed Fund for future income years. The tax-free amount affects her reduced cost base.

Ilena reduces the cost base and reduced cost base of her units as follows:

Overall cost base

Element	Amount ($)
Cost base	5,000
minus tax-deferred amount	30
New cost base	**4,970**

Overall reduced cost base

Element	Amount ($)
Reduced cost base	4,700
subtract (tax-deferred amount + tax-free amount) ($30 + $35)	65
New reduced cost base	**4,635**

If XYZ Managed Fund is an AMIT, Ilena should instead refer to the AMIT cost base net amount to determine any cost base adjustment.

Example 28: notified of an AMIT cost base net adjustment

Miriam owns units in the Exponential Growth Fund, which has elected into the new tax system for managed investment trusts in 2023–24, and is therefore an AMIT. Her units have a cost base of $55 each.

The fund attributes $13 of assessable income per unit to Miriam for 2023–24 but only pays a cash dividend amount of $3 per unit. Exponential Growth Fund retains the balance of $10 per unit for reinvestment rather than paying it as a cash distribution. The $13 attributed amount is included in Miriam's assessable income.

Cost base consequences

The $13 attributed to Miriam that is included in her assessable income is her AMIT cost base increase amount. The actual payment of $3 she received is her AMIT cost base reduction amount. The AMIT cost base increase amount is netted off against the AMIT cost base reduction amount, resulting in a shortfall AMIT cost base net amount of $10 per unit. Miriam's AMMA statement shows the AMIT cost base net amount of $10.

The $10 (shortfall) AMIT cost base net amount is used to increase the cost base (and reduced cost base) of her units in Exponential Growth Fund. She will need to include it in her cost base (and reduced cost base) calculations when she eventually sells her units in the fund, to ensure that the undistributed amount already attributed to her is not double taxed as a capital gain.

New cost base

Element	Amount ($)
Cost base per unit	55
add AMIT cost base net amount (shortfall)	10
New cost base per unit	**65**

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Appendix

Find additional information to help you understand and complete your CGT obligations.

Published 30 May 2024

Consumer price index (CPI)

All groups – weighted average of 8 capital cities

Year	Quarter ending 31 Mar	Quarter ending 30 Jun	Quarter ending 30 Sep	Quarter ending 31 Dec
1985	37.9	38.8	39.7	40.5
1986	41.4	42.1	43.2	44.4
1987	45.3	46.0	46.8	47.6
1988	48.4	49.3	50.2	51.2
1989	51.7	53.0	54.2	55.2
1990	56.2	57.1	57.5	59.0
1991	58.9	59.0	59.3	59.9
1992	59.9	59.7	59.8	60.1
1993	60.6	60.8	61.1	61.2
1994	61.5	61.9	62.3	62.8
1995	63.8	64.7	65.5	66.0
1996	66.2	66.7	66.9	67.0
1997	67.1	66.9	66.6	66.8
1998	67.0	67.4	67.5	67.8

1999	67.8	68.1	68.7	n/a (see note)

Note: 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.

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