Shares and similar investments

Find out what can trigger a CGT event, such as selling shares or receiving certain distributions.

When CGT applies to shares and units

Find out which things trigger CGT, such as selling shares or receiving certain distributions.

Keeping records of shares and units

How to identify which shares you have sold, when you acquired them, and the records you need.

Share investing versus share trading

Work out if you are investing or trading in shares, and the difference it makes to your tax.

When you can claim losses on shares and units

Find out what triggers a claimable loss on shares and units, and how you claim it in your tax return.

Share buy-backs

How your tax is affected if you sell your shares back to the

Dividend reinvestment plans

How tax applies to your dividend if you use it to buy more shares from the same company.

Demergers CGT rollover for shareholders and unit holders

Find out if you should defer your gain or loss when a corporate group demerges.

CGT listed investment companies concession

Find out if you're entitled to a tax deduction from a listed investment company that includes a LIC capital gain amount.

Investments in a company in liquidation or administration

Check if you can realise a capital loss on shares or investments in a company in liquidation or administration.

Trust non-assessable payments (CGT event E4)

Unit trusts often make non-assessable payments to unit holder.

QC 102686

When CGT applies to shares and units

Find out which things trigger CGT, such as selling shares or receiving certain distributions.

Last updated 23 June 2025

On this page

When CGT applies

Selling your shares or units is the most common **CGT event**, but there are others.

A CGT event may occur if you:

- redeem units in a managed fund by switching them from one fund to another
- make an *in specie* transfer
- accept an offer from a company to **buy back your shares**
- **receive a distribution** (other than a dividend) from a unit trust or managed fund
- receive **non-assessable payments from a company**
- own shares in a company that is **taken over by or merges with another company**
- own shares in a company that is placed in **liquidation or administration** and the shares (or other financial instruments) are declared worthless by the liquidator or administrator.

If you sell shares or have another CGT event, you need to **calculate your CGT** and report it in your tax return.

When a corporate group restructures, we often publish a class ruling or fact sheet. For further information you can:

- ask the company for details

- go to our **legal database** and search <company name> for class rulings – you may need to refine your search by 'Rulings'.

For a video showing how to enter your capital gains and losses in myTax when you dispose of shares, see **Disposing of shares**.

When CGT does not apply

CGT does not apply to:

- dividends you receive from your investments – these are taxed as ordinary income
- profits on the sale of shares if you are carrying on a business of **share trading** – these are taxed as ordinary business income rather than capital gains.

QC 66045

Keeping records of shares and units

How to identify which shares you have sold, when you acquired them, and the records you need.

Last updated 23 June 2025

On this page

Records you need to keep

When you sell your shares in companies or units in managed funds, most of the records you need will be given to you by the company, the fund manager or your stockbroker. These records generally include:

- the date of purchase
- the purchase amount
- details of any non-assessable payments made to you
- the date and amount of any calls (if shares were partly paid)
- the sale price (if you sell them)
- any commissions paid to brokers when you buy or sell
- details of events such as share splits, share consolidations, returns of capital, takeovers, mergers, demergers and bonus share issues.

You may buy parcels of shares in the same company at different times. You need to keep details for each parcel as they are separate CGT assets.

Identifying when shares or units were acquired

When you sell only some of your shares or units in a company or trust, you need to be able to identify which ones you have sold and when you acquired them.

This is important because shares or units bought at different times may have different costs. This will affect your capital gain or loss.

Share transactions through the Australian Stock Exchange are recorded in the Clearing House Electronic Subregister System (CHESS). If you have the relevant records from your CHESS holding statement or your issuer sponsored statement, you can select which shares you have sold and identify their cost.

Example: identifying when shares or units were acquired

Boris is an investor. He:

- bought 1,000 shares in a company in 2023 for $5 each
- bought 3,000 shares in the same company in 2024 for $10 each

- sold 1,500 of the shares in 2025 for $8 each.

Boris must decide which of his shares in the company he is selling and which he is retaining.

He decides to sell 1,500 of the shares he bought in 2024 in order to claim a capital loss in the 2025 income year. As a result, Boris will still have:

- 1,000 shares with an acquisition cost of $5
- 1,500 shares with an acquisition cost of $10.

If Boris later decides to sell more of his shares in the company, he can choose which of his remaining shares he is selling.

Boris should keep records of which shares he has bought and sold so he can show that he has calculated his gains or losses correctly on any sales of shares.

QC 66046

Share investing versus share trading

Work out if you are investing or trading in shares, and the difference it makes to your tax.

Last updated 23 June 2025

On this page

Tax treatment

If you hold shares as an investor:

- your shares are assets and are subject to capital gains tax (CGT) when you sell them
- your costs are taken into account at the time you sell your shares
- if you have a capital loss you can use it to offset capital gains but not to offset income from other sources
- income is earned from dividends and similar receipts.

If you are a share trader:

- your shares are treated like trading stock in the ordinary course of a business
- your gains are treated as ordinary income
- your losses and costs are treated as deductible expenses in the year they are incurred.

If you change from an investor to a trader, or vice versa, the treatment of your profits or losses will also change.

Tax treatment of share investors and share traders

Cost or receipt	Share investor	Share trader
Profit from the sale of shares	Subject to CGT	Assessable as ordinary income
Loss from the sale of shares	Used to offset capital gains or carried forward to offset future capital gains Can't be used to offset income from other sources	Deductible against income
Dividends and similar receipts	Included in assessable income	Included in assessable income

Purchase price of shares	Taken into account in calculating capital gain or loss when shares are sold	Deductible in the year incurred
Transaction costs of buying or selling shares	Taken into account in calculating capital gain or loss when shares are sold	Deductible in the year incurred
Costs (such as interest on borrowed money) incurred in earning dividend income from shares	Deductible in the year incurred	Deductible in the year incurred

How to determine if you are a share trader

Determining if you are a share trader is the same as determining whether your activities are considered to be **carrying on a business** for tax purposes.

Under tax law, a business includes 'any profession, trade, employment, vocation or calling, but does not include occupation as an employee'.

To determine whether you are a share trader or a business of trading shares, the following factors have been taken into account in court cases:

- the nature and purpose of your activities
- the repetition, volume and regularity of your activities
- whether your activities are organised in a business-like way
- the amount of capital invested.

Nature of activity and purpose of profit making

The intention to make a profit is not, on its own, sufficient to establish that a business is being carried on.

A share trader carries on business activities for the purpose of earning income from buying and selling shares.

Shares may be held for either investment or trading purposes, and profits on sale are earned in either case. A person who invests in shares as a shareholder (rather than a share trader) does so with the intention of earning income from dividends and receipts, but is not carrying on business activities.

You need to consider not only your intention to make a profit, but also the facts of your situation. This includes how your activities have actually been carried out, or a business plan of how your activities will be carried out.

A business plan might show, for example:

- analysis of the current market and each potential investment
- research to show when or where a profit may arise
- the basis of your decision-making on when to hold or sell shares.

Repetition, volume and regularity

Repetition is the frequency of transactions or the number of similar transactions. It is a key characteristic of business activities.

The higher the volume of your share transactions, the more likely it is that you are carrying on a business.

A business of share trading would also be expected to involve the purchase of shares on a regular basis through a regular or routine method.

Organisation in a business-like way and keeping records

A share-trading business could reasonably be expected to involve:

- study of daily and longer-term trends
- analysis of companies' prospectuses and annual reports
- seeking advice from experts.

Your qualifications, expertise, training and skills in this area would also be relevant.

Failure to keep records of share transactions would make it difficult for you to establish that a business of share trading was being carried on.

Amount of capital invested

The amount of capital you invest in shares is not a crucial factor in determining whether you are carrying on a business of share trading.

It is possible to carry on business activities with a relatively small amount of capital. On the other hand, you could invest a substantial amount of capital and not be considered a share trader.

Example: shareholding as an investor

George is an accountant. He has:

- bought 200,000 shares in 20 blue chip companies over several years
- a total portfolio of $1.5 million.

George bought the shares because of consistently high dividends, although he does invest in a small amount of growth stocks.

George:

- monitors his share portfolio daily and analyses daily developments in equity markets using financial newspapers and stock market reports
- subscribes to news from online investment analysts.

In the last income year, he sells 20,000 of his shares over a number of occasions for a gain of $50,000. He did not sell his shares unless their price appreciated markedly.

Although George has made a large gain on the sale of shares, and has invested a significant amount of capital, he is not carrying on a business of share trading. He has purchased his shares for the purpose of earning dividend income rather than making a profit from buying and selling shares.

Changing from investor to trader, or trader to investor

If you change your activities, the way you treat your shareholdings will be affected.

We may ask you to provide evidence that:

- the nature of your activities has changed
- you have reported your income correctly in the past.

If we review your tax returns and find that you have incorrectly claimed losses, you may be subject to penalties.

Changing from investor to trader

If your activities change from investor to trader, your shares change from CGT assets to trading stock. When this happens, you can choose to start holding the shares as trading stock at either:

- their original cost
- their market value at the time of the change.

If you choose market value **CGT event K4** occurs – CGT asset starts being trading stock. This means you make a capital gain or loss on the shares, which you must report in your tax return. You work out your capital gain or loss based on the market value of your shares at the time of the change.

Any unused capital losses from prior years (when you were an investor) remain as capital losses. You can't convert them into revenue losses. You should continue to carry forward any unused capital losses until you have a capital gain to offset them against.

Changing from trader to investor

If your activities change from trader to investor, and you stop holding your shares as trading stock, these shares no longer form part of your business as trading stock.

When your activities change, the treatment of your shares also changes, as if:

- just before the change, the shares were held as trading stock that you own
- you stopped holding the shares as trading stock and you sold them at cost to someone else, at arm's length and, in the ordinary course of business

- you immediately bought the shares back for the same amount.

QC 66047

When you can claim losses on shares and units

Find out what triggers a claimable loss on shares and units, and how you claim it in your tax return.

Last updated 23 June 2025

Shares must be disposed of

You can only claim a loss for shares or units you have disposed of. You can't claim a 'paper loss' on investments you continue to hold.

Share investor

If you made the loss holding the **shares or units as an investor**, it is a capital loss.

On your tax return, you can:

- offset the loss against any capital gains
- carry forward any unused losses to offset against future capital gains.

Your capital loss can't be:

- offset against your income from other sources
- converted to revenue losses in future years. This is the case even if you haven't been able to offset it against a capital gain.

Share trader

If you made the loss carrying on a business of **share trading**, it is a revenue loss.

In your tax return, you treat it the same way as any other losses from business. You can generally offset the loss against income from other sources, however the **non-commercial loss** rules may apply.

Losses on worthless shares

You may be able to claim a capital loss on worthless shares before a **company is dissolved**. You can do this if a liquidator or administrator declares in writing that you will not receive any further distribution from the company.

QC 66048

Share buy-backs

How your tax is affected if you sell your shares back to the company.

Last updated 23 June 2025

On this page

Effect on capital gains tax

If you dispose of shares you hold on capital account back to the company, it is a capital gains tax (CGT) event. This means you must:

- **calculate your capital gain or loss** by subtracting the cost of the shares from your capital proceeds
- report your capital gain or loss in your tax return.

If it's an off-market buy-back arrangement, your capital proceeds may be based on the market value of the shares, rather than the amount you receive.

Time of capital gain or loss

The point at which you make a capital gain or loss depends on the conditions of the buy-back offer. For example, it may be the time the company accepts your application to participate in the buy-back or, if it's a conditional offer of buy-back, the time you accept the offer.

You report your capital gain or loss in your tax return for the year in which the CGT event happens.

Capital proceeds from an off-market share buy-back

An off-market share buy-back is when a company offers to buy its shares back from you directly, rather than buying them through a stock exchange in the open market. Usually the company writes to you with the offer.

For CGT purposes, your capital proceeds can't be less than what the market value of your shares would have been if the buy-back had not been proposed.

Listed public company

Any off-market share buy-back announced by listed public companies after 7:30 pm AEDT on 25 October 2022 will not contain a dividend component in the price. The entire buy-back price will be treated as capital proceeds.

Company that is not a listed public company

If the buy-back price is equal to or more than the market value, your capital proceeds are the amount paid, excluding any dividend paid as part of the buy-back.

If the buy-back price is less than the market value, your capital proceeds are:

- what the market value of your shares would have been if the buy-back had not been proposed
- less any dividend paid under the buy-back.

In this situation, the company may tell you the market value or obtain a class ruling from us.

There are some further adjustments in circumstances where the participating shareholder is itself a company.

Where a share buy-back affects a large shareholder group, we may publish a class ruling setting out the tax consequences for shareholders. For further information you can:

- ask the company for details
- go to our **legal database** and search <company name> for class rulings – you may need to refine your search by ‘Rulings’.

Example: off-market buy-back

Ranjini bought 10,000 shares in a company that was not a listed public company at a cost of $6 per share, including brokerage.

A few years later, the company wrote to its shareholders offering to buy back 10% of their shares for $9.60 each. The buy-back price included a franked dividend of $1.40 per share, with each dividend to carry a franking credit of $0.60.

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

The company approved the buy-back on the same terms as its earlier letter of offer.

The market value of the company's shares at the time of the buy-back, assuming the buy-back had not been proposed, was $10.20.

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

Ranjini must work out her capital gain using the market value of the shares because:

- it is an off-market share buy-back
- the buy-back price is less than what the market value of the shares would have been if the buy-back had not been proposed.

Ranjini works out her capital gain as follows:

1. Market value of shares: $10.20 × 1,000 = $10,200
2. Dividend: $1.40 × 1,000 = $1,400
3. Capital proceeds: $10,200 − $1,400 = $8,800
4. Cost base: $6.00 × 1,000 = $6,000
5. Capital gain (before applying any discount) is $8,800 − $6,000 = $2,800

Ranjini must report her capital gain as well as her dividend of $1,400 and franking credit of $600 in her tax return.

For detailed information about share buy-backs, see:

- **TD 2004/22** *Income tax: for Off-Market Share Buy-Backs of listed shares, whether the buy-back price is set by tender process or not, what is the market value of the share for the purposes of subsection 159GZZZQ(2) of the Income Tax Assessment Act 1936?*
- **PS LA 2007/9** *Share buy-backs*.

QC 66049

Dividend reinvestment plans

How tax applies to your dividend if you use it to buy more shares from the same company.

Last updated 23 June 2025

A company in which you hold shares may offer you the option of reinvesting your dividends to acquire more shares, instead of it being paid or credited to you.

If you reinvest your dividend, for tax purposes you treat the transaction as though you had received the dividend payment and then used it to buy more shares.

This means:

- you must declare the dividend as income in your tax return
- the additional shares are subject to capital gains tax (CGT)
- the acquisition cost of the additional shares is the amount of the dividends used to acquire them.

Example: dividend reinvestment plans

Natalie owns 1,440 shares in a company.

In November 2024, the company declared a dividend of 25 cents per share. Natalie was offered the choice of:

- taking the dividend as a cash payment of $360 (1,440 × 25 cents)
- reinvesting the dividend to acquire 45 more shares at $8 per share ($360 ÷ $8).

Natalie decided to participate in the dividend reinvestment plan and received 45 new shares on 20 December 2024.

Natalie must treat the transaction as though she received the dividend in cash and used it to buy more shares. This means:

- she must declare the $360 dividend as assessable dividend income in her 2024–25 tax return
- for CGT purposes, she acquired the 45 new shares for $360 on 20 December 2024.

QC 66050

Demergers CGT rollover for shareholders and unit holders

Find out if you should defer your gain or loss when a corporate group demerges.

Last updated 23 June 2025

On this page

How a demerger affects shareholders

When a corporate group demerges, you can choose to rollover (defer) the capital gain or loss you make as a shareholder.

A demerger involves the restructuring of a corporate or fixed trust group by splitting its operations into 2 or more entities or groups.

The shareholders or unit holders in the head entity of the group acquire a direct interest in an entity that was formerly part of the group (the demerged entity).

If you choose a rollover:

- you disregard any capital gain or loss made under the demerger
- your new interests in the demerged entity are acquired on the date of the demerger – however, if a proportion of your original interests was acquired before 20 September 1985 (pre-CGT), the same proportion of your new interests in the demerged entity is treated as pre-CGT assets.

If you do not choose a rollover:

- you can't disregard any capital gain or loss made under the demerger
- all your new interests in the demerged entity are acquired on the date of the demerger.

Whether or not you choose a rollover, you must **recalculate the cost base** of your remaining original interests in the head entity and your new interests in the demerged entity.

A foreign resident can only choose a rollover if the new interest acquired under the demerger is **taxable Australian property** as soon as they acquire it.

A dividend paid under a demerger is generally not subject to tax if at least 50% of the CGT assets (by market value) owned by the demerged entity or its demerger subsidiaries are used by them in carrying on a business. This concession is automatic unless the head entity elects that it will not apply.

What you should do

Usually the head company or trust of the group that is demerging will advise shareholders or unit holders if a CGT rollover is available.

Check the information you have received from the head entity to find out about your rollover options and what you should do.

When a corporate group restructures, we publish a class ruling setting out the tax consequences for shareholders. For further information you can:

- ask the company for details
- go to our **legal database** and search <company name> for class rulings – you may need to refine your search by 'Rulings'.

For certain large demergers, you can use the **demergers calculator** to:

- recalculate your cost base
- work out your capital gain or loss if you dispose of your shares.

Using the CGT discount after a demerger

If you sell your new interests in the demerged entity after the demerger, you must have owned the corresponding original interests in the head entity for at least 12 months to be **eligible for the CGT discount**.

Example: CGT discount eligibility for new interests

You received BHP Steel Ltd shares under the demerger on 22 July 2002. These related to shares you acquired in BHP Billiton Ltd on 15 August 2001.

You meet the 12-month ownership requirement for the CGT discount if you dispose of the shares after 15 August 2002 – that is, 12 months or more after the date you acquired the BHP Billiton shares.

However, you calculate the 12 months from the date of demerger if you either:

- did not choose the rollover and you received new interests in the demerged entity that relate to pre-CGT interests in the head entity
- acquired your new interests without a CGT event happening to your original interests.

Example: CGT discount eligibility for pre-CGT shares

You received BHP Steel Ltd shares under the demerger on 22 July 2002.

The shares related to pre-CGT shares you owned in BHP Billiton Ltd and you did not choose a rollover.

You meet the 12-month ownership requirement for the CGT discount if you dispose of the shares after 22 July 2003 – that is, 12 months or more after the demerger.

QC 66051

CGT listed investment companies concession

Find out if you're entitled to a tax deduction from a listed investment company that includes a LIC capital gain amount.

Last updated 23 June 2025

Listed investment company dividend

If a listed investment company (LIC) pays a dividend that includes a LIC capital gain amount, a shareholder who is an Australian resident at the time will be entitled to an income tax deduction.

A LIC paying a dividend will advise its shareholders how much of the dividend is attributable to a LIC capital gain (the attributable part).

Individual taxpayer

An individual can deduct 50% of the attributable part advised by the LIC.

Example: Resident individual

Ben, an Australian resident, is a shareholder in XYZ Ltd, a LIC. On 21 February 2025, Ben received a fully franked dividend from XYZ Ltd of $70, with an eligible capital gain amount (attributable part) of $50. Ben includes the following amounts in his 2024–25 tax return at the following questions:

- Dividends – Franked amount: $70.
- Dividends – Franking credit: $30.
- Dividend deductions: $25 (50% deduction for LIC capital gain).

Note: Ben will be entitled to a franking tax offset equal to his franking credit if he satisfies the **holding period rule**.

Complying superannuation entity or life insurance company

A complying superannuation entity or life insurance company can deduct 33.33% of the attributable part advised by the LIC.

Trust or partnership

A trust or partnership can deduct 50% of the attributable part advised by the LIC.

Beneficiary of a trust or partner in partnership

If a shareholder in a LIC is a trust or partnership, a non-individual beneficiary of the trust or a non-individual partner in the partnership has no share of the attributable part.

To allow for this, the beneficiary or partner (other than an individual) includes an amount in their assessable income in the income year in which a LIC capital gain dividend is paid if the trust or partnership is allowed a deduction and their income is reduced by an amount because of that deduction.

The amount included in the beneficiary or partner's assessable income is equivalent to that part of the deduction that reflects their share of the net income of the trust or partnership (the reduction amount).

A beneficiary or partner that is a complying superannuation entity or life insurance company trust must include in their assessable income one-third of that part of a deduction allowed to the trust, company or partnership that is reflected in the beneficiary or partner's share of the net income.

Example: Beneficiary of a trust or partner in partnership

The Robbie Partnership received from a LIC a $210 fully franked dividend that included an attributable part of $180. The partnership has 3 equal partners – Joe Robbie, Robbie Limited, and the Robbie Superannuation Fund (a complying superannuation entity).

The partnership claimed a deduction of $90 in respect of the attributable part in working out its net income of $12,000 (including the $210 dividend). Each partner's share of the net income is $4,000 and their reduction amount is $30 (one-third of $90).

Each partner includes $4,000 in their assessable income. The partners must also include the following additional amounts in their assessable income:

- Joe Robbie, $0 (Joe is an individual partner in the partnership)
- Robbie Limited, $30 (the reduction amount)
- Robbie Superannuation Fund, $10 (one-third of the reduction amount).

QC 52236

Investments in a company in liquidation or administration

Check if you can realise a capital loss on shares or investments in a company in liquidation or administration.

Last updated 23 June 2025

On this page

Shareholders and investors

You may be able to claim a capital loss if you're:

- a shareholder, and a liquidator or an administrator of a company declares in writing that they have reasonable grounds to believe there is no likelihood that shareholders will receive any further distribution for their shares
- an investor who holds a financial instrument in a company, and the liquidator or administrator of the company makes a declaration in writing that the financial instrument has no value or negligible value – such financial instruments may include
  - convertible notes
  - debentures
  - bonds
  - promissory notes
  - loans to the company
  - futures contracts
  - forward contracts and currency swap contracts relating to the company
  - rights or options to acquire any of these, including rights or options to acquire shares in a company.

Liquidator or administrator's role

The decision about whether or not to make a declaration, and the time at which to make it, rests solely with the liquidator or administrator. They can make written declarations in relation to shares and financial instruments in the same statement – for example, a declaration in relation to a share and an option to acquire a share.

You can't claim a capital loss for a financial instrument, such as a right or option to acquire a share, if a liquidator or an administrator declares they consider the shares are worthless but does not make a declaration that they consider the financial instrument is of no value or has only negligible value.

When you can't choose to make a capital loss

You can't choose to make a capital loss for:

- a financial instrument where any profit made on the disposal or redemption of it would be included in your assessable income or any loss would be deductible – such as **a traditional security or qualifying security**
- a unit in a unit trust or a financial instrument relating to a trust
- certain interests acquired under employee share schemes.

Employee share schemes

If your shares or rights were acquired under an **employee share scheme** (ESS), these CGT rules do not apply to:

- a right acquired before 1 July 2009
- an ESS interest or an ESS interest that is a beneficial interest in a right that is forfeited and is taken to have been acquired.

This ensures the tax consequences for shares you acquire for less than their market value are dealt with under the ESS tax rules before any potential capital gains tax rules apply.

Conditions that must be satisfied

You may choose to make a capital loss if **all** the following conditions apply:

- You are an Australian resident for income tax purposes.
- You hold a share or financial instrument relating to a company that went into liquidation or administration.
- You acquired the share or financial instrument after 19 September 1985.
- A liquidator or administrator of the company made a written declaration that they believed the shares were worthless or the financial instruments had no value or negligible value.
- Any gain or loss you would make on the share or financial instrument is a capital gain or capital loss – that is, you hold the share or financial instrument as an investment asset and
  - not as trading stock (see Share trading as business)
  - not as part of carrying on a business
  - not to make a short-term or 'one-off' commercial gain.

Working out the capital loss

If you choose to make the capital loss when the declaration is made, your capital loss is equal to the reduced cost base of the shares (or financial instruments) at the time of the declaration by the liquidator or administrator. If you make the choice, the cost base and reduced cost base of the shares (or financial instruments) are reduced to nil just after the liquidator or administrator makes the declaration. This is relevant for working out if you make a capital gain from any later capital gains tax (CGT) event happening to the shares (or financial instruments).

You indicate that you have chosen to make the capital loss by the amounts you show at the capital gains tax question on your tax return for that year.

Receiving further payments after the declaration

You may receive a further payment in respect of your shares if, for example, court action was successful in recovering money for the company or its shareholders.

- **Company dissolved more than 18 months after a payment:** If you receive a payment after the date of the declaration and the payment is not assessable to you as a dividend, you may make a capital gain at the time you receive the payment.
- **Company dissolved within 18 months of a payment:** If the payment is made to you by a liquidator after the declaration and the company is dissolved within 18 months of a payment, the payment is included as capital proceeds on the cancellation of your shares (rather than you making a capital gain at the time of the payment). In preparing your tax return you may delay declaring any capital gain until your shares are cancelled, unless you are advised by the liquidator in writing that the company will not cease to exist within 18 months of you receiving the payment.

Example: Capital loss when company dissolves

On 31 March 2025, the administrators of Company Ltd made a written declaration that they had reasonable grounds to believe there was no likelihood that shareholders would receive any distribution for their shares.

At the time of the declaration, Dave owned 1,000 Company Ltd shares. Following the declaration by the administrators, he chose to claim a capital loss for his Company Ltd shares in his 2024–25 tax return.

Dave acquired his Company Ltd shares in March 2012 for $1.70 each, including brokerage costs. Therefore, the reduced cost base of Dave's Company Ltd shares and his capital loss in respect of those shares is $1,700 – that is, 1,000 multiplied by $1.70.

In working out his net capital gain or net capital loss for the 2024–25 year, Dave takes the capital loss of $1,700 from his Company Ltd shares into account.

Example: Company dissolved more than 18 months after a payment

The administrators of Company Ltd made a written declaration on 31 March 2023 that they had reasonable grounds to believe that there was no likelihood that the shareholders of Company Ltd would receive any distribution from their shares.

Dave purchased 1,000 shares in Company Ltd in March 2012 for $1.70, including brokerage costs. Following the administrators' declaration, Dave chose to make capital losses equal to the reduced cost bases of his shares as at 31 March 2023. Therefore, the reduced cost base of Dave's shares and his capital loss in respect of those shares is $1,700. Dave claimed the capital losses in his 2023 tax return.

On 1 March 2025, Court action was successful in recovering $0.10 per share for the shareholders.

As more than 18 months had passed since the administrator's declaration back in 2023, the recovery of $100 – that is, 1,000 × $0.10, is assessable as a capital gain in Dave's 2024–25 tax return.

Where a company liquidation affects a large number of people, we may provide specific guidance on the tax implications. For further information you can:

- ask the company for details
- go to our **legal database** and search <company name> for class rulings – you may need to refine your search by 'Rulings'.

QC 52234

Trust non-assessable payments (CGT event E4)

Unit trusts often make non-assessable payments to unit holder.

Last updated 30 June 2023

On this page

When trusts make non-assessable payments to beneficiaries, CGT event E4 may occur.

Non-assessable payments

Non-assessable payments may be made over a number of years. In this case, you will make a capital gain in the year in which the cumulative total of the non-assessable payments over all years exceeds the cost base of your units or interests.

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

Non-assessable payments may be shown on your statement from the trustee 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.

Your statement of distribution or advice should show amounts and other information relevant to your cost base or reduced cost base.

If your unit or interest is in an attribution managed investment trust (AMIT), CGT event E4 doesn't apply, but **CGT event E10** may apply.

Types of amounts

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 the cost base) of your units by these amounts. Payments of amounts associated with building allowances that 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:

- exempt income of the fund
- amounts on which the fund has already paid tax
- 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 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 or trust interest, you include the excess as a capital gain. You can use the indexation method if you bought your units or trust interest before 11:45 am (by legal time in the ACT) on 21 September 1999. However, if you do so, you can't use the discount method to work out your capital gain when you later sell the units or trust interest.

Cost base adjustments

Generally, you make any adjustment to the cost base and reduced cost base of your unit or trust interest at the end of the income year. However, if some other CGT event happens to the unit or trust interest during the year (for example, you sell your units), you must adjust the cost base and reduced cost base just before the time of that CGT event. The amount of the adjustment is based on the amount of non-assessable payments to you up to the date of sale. You use the adjusted cost base and reduced cost base to **work out your capital gain or loss**.

Example: Mario has received a non-assessable amount

Mario owns units in OZ Investments Fund (a managed fund that is not an AMIT), which distributed income to him for the 2022–23 income year. The fund gave him a statement showing his distribution meant that his share of the trust's net capital gain included:

- $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 Mario's distribution did not include a tax-free amount, but it did include a $105 tax-deferred amount.

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

Mario has no other capital gains or capital losses for the 2022–23 income year and no unapplied net capital losses from earlier years.

The following steps show how Mario works out the amounts to write on his tax return.

Step 1

As Mario has a share of a capital gain which the fund reduced using the CGT discount of 50% (so that his share was $100), he includes the grossed-up amount of his share ($200) in his total current year capital gains.

Step 2

Mario adds the grossed-up amount to his share of the trust's capital gains calculated using the indexation method and 'other' method to work out his total current year capital gains:

$200 + $75 + $28 = $303

Step 3

As Mario has no other capital gains or losses, and he must use the discount method for the capital gains calculated using the discount method from the trust, his net capital gain is equal to his share of the trust's net capital gain for tax purposes ($203).

Step 4

Mario completes item **18** in his tax return (paper tax return, supplementary section) as follows:

- label **G** (Did you have a capital gains tax event during the year?): indicate **yes**
- label **M** (Have you applied an exemption or rollover?): indicate **no** and leave the code blank
- label **A** (Net capital gain): enter **203**
- label **H** (Total current year capital gains): enter **303**
- label **V** (Net capital losses carried forward to later income years): leave blank
- label **X** (Credit for foreign resident capital gains withholding amounts): leave blank.

Records Mario needs to keep

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

Cost base	$1,200
less tax-deferred amount	$105
New cost base	**$1,095**
Reduced cost base	$1,050
less tax-deferred amount	$105
New reduced cost base	**$945**

Example: Ilena's capital loss is greater than her non-discounted capital gain

Ilena invested in XYZ Managed Fund (a managed fund that is not an AMIT). The fund made a distribution to Ilena for the year ending 30 June 2023 and gave her a statement that shows her distribution meant that her share of the trust's net capital gain included:

- $65 discounted capital gain
- $90 non-discounted capital gain.

The statement shows Ilena's distribution also included:

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

Ilena has no other capital gains, but made a capital loss of $100 on some shares she sold during the year. Ilena has no unapplied net capital losses from earlier years.

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

Ilena has to treat the capital gain component of her share of the fund's net income for tax purposes as if she made the capital gain. To complete her tax return, Ilena must identify this capital gain component and work out her net capital gain.

The following steps show how Ilena works out the amount to write at **H** item **18** on her tax return (paper tax return, supplementary section).

Step 1

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

$65 × 2 = $130

Step 2

Ilena adds her share of the trust's grossed-up and non-discounted capital gains to work out her total current year capital gains:

$130 + $90 = $220

She writes her total current year capital gains ($220) at **H** item **18** on her tax return (supplementary section).

Step 3

After Ilena has grossed-up her share of the fund's discounted capital gain, she subtracts her capital losses from her capital gains.

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

- subtracts as much as possible of her capital losses (which were $100) from her non-discounted capital gains ($90):
  $90 − $90 = $0 (non-discounted capital gains)
- subtracts her remaining capital losses after step 1 ($10) from her discounted capital gains ($130):
  $130 − $10 = $120 (discounted capital gains)
- applies the CGT discount to her remaining discounted capital gains:
  ($120 × 50%) = $60 (discounted capital gains)

Step 4

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

$0 (non-discounted) + $60 (discounted) = $60 net capital gain.

Ilena completes item **18** on her tax return (paper tax return, supplementary section) as follows:

- label **G** (Did you have a capital gains tax event during the year?): indicate **yes**
- label **M** (Have you applied an exemption or rollover?): indicate **no** and leave the code blank. The trust applied the exemption

or rollover and will need to report that on its trust return.

- label **A** (Net capital gain): enter **60**
- label **H** (Total current year capital gains): enter **220**
- label **V** (Net capital losses carried forward to later income years): leave blank
- label **X** (Credit for foreign resident capital gains withholding amounts): leave blank.

Records Ilena needs to keep

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:

Cost base	$5,000
less tax-deferred amount	$30
New cost base	**$4,970**
Reduced cost base	$4,700
less (tax-deferred amount + tax-free amount) ($30 + $35)	$65
New reduced cost base	**$4,635**

QC 52215

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.

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