



AMP group demerger: How it affects Australian resident shareholders

If you were affected by the demerger of AMP's UK operations, this guide will help you to identify your CGT obligations.

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Why should I be concerned about the demerger?

The demerger was a CGT event. As such it could result in a capital gain or capital loss for shareholders – which means it has tax consequences for shareholders.

What happened under the demerger?

When AMP demerged its UK operations in December 2003 it:

- caused HHG PLC ('HHG') to issue new HHG shares to AMP shareholders, and
- undertook a rights offer to raise additional capital.

The following events happened as part of the demerger and the associated rights offer:

- slightly less than 30% of the AMP shares that you held on 19 December 2003 were cancelled and you received a cancellation entitlement of about \$5.90 for each share cancelled

- your remaining AMP shares were then split so that you had the same number of AMP shares after the demerger as before
- you were issued with shares in HHG equal to the number of AMP shares you owned before the demerger – the cancellation entitlement was applied on your behalf as payment for these shares
- under the AMP rights offer, you received one right for each AMP share you held on 28 October 2003. You could either
 - exercise the rights by making a payment of 77c per right – the total amount you paid was then applied to acquire new AMP shares at \$3.87 per share
 - not exercise the rights – in which case you received a payment of 8.2c per right not exercised
- if you owned AMP reset preferred securities, AMP redeemed them on 14 January 2004 and you received a payment of \$100 per security plus a distribution payment.

Can I claim demerger rollover relief?

No. The way that AMP demerged meant that the demerger rollover relief provisions do not apply to this demerger.

Is my cancellation entitlement assessable income?

Not directly. Your cancellation entitlement forms part of the capital proceeds which are used in calculating your capital gain or capital loss on the cancellation of your AMP shares. A capital gain is part of your taxable income.

What are the tax consequences if I exercised my rights under the AMP rights offer?

If you exercised your rights under the offer, you will have received new AMP shares. For tax purposes you need to know:

- the acquisition date of your new shares, and
- the cost base of your new shares.

The **acquisition date** is the date you exercised the rights – that is, the date you sent your payment to AMP.

The **cost base** of these shares is the amount you paid to exercise the rights – that is, \$0.77 per right *multiplied* by the number of rights exercised, plus any incidental costs you incurred in acquiring the shares.

This information is used to calculate your capital gain or capital loss when you dispose of these shares.

What are the tax consequences if I did not exercise my rights under the offer?

If you did not exercise your rights under the offer, you received a payment of 8.2c for each right you didn't exercise.

This payment is a capital gain and you must include it when calculating your net capital gain for your 2004 tax return.

You may be entitled to use the CGT discount method (which allows you to reduce your capital gain) to work out the amount of the capital gain if you are:

- an individual or trust (50% discount)
- a complying superannuation entity (33 1/3%)
- a life insurance company with virtual pooled superannuation trust (PST) assets (33 1/3%).

You are entitled to use the discount method for that part of the payment you received for the rights attaching to shares that you purchased before 9 December 2002 (12 months prior to the expiry date of the rights).

Companies other than some life insurance companies are not entitled to use the discount method.

I redeemed my reset preferred securities. What are the tax consequences of this?

These securities were redeemed for their face value (of \$100 each) plus the accrued distribution up to the date of redemption.

You will need to include the distributions as 'trust distribution income' in your 2004 tax return – item **12** of TaxPack 2004 (supplementary section), or e-tax. Retirees TaxPack does not cater for trust distributions.

Note: You received two distributions – one on 23 October 2003 and one on redemption.

If you paid:

- \$100 for the security – there are **no** capital gains or capital loss **tax consequences** from the redemption
- more or less than \$100 for the security – for example, you bought it on the share market – you will need to calculate **whether you have made a capital gain or capital loss**. You must include any capital gain or capital loss you made on redemption of your reset preferred securities when you calculate your net capital gain or capital loss for your 2004 income tax return.

What do I need to work out for capital gains tax purposes?

There are three amounts you need for capital gains tax purposes. You need to know:

1. the capital gain or capital loss you made on the cancellation of your AMP shares and/or AMP reset preferred securities
2. the new cost base of your AMP shares and your new HHG shares
3. the tax consequences of the AMP rights offer – this means you have to calculate:

How do I work out these amounts?

There are two ways you can calculate your capital gains tax consequences:

1. Use the AMP demerger calculator.


This has been designed to help AMP shareholders work out their particular tax situation as a result of the demerger. It will take you from 5 to 20 minutes to complete (this is by far the simplest way to work out your situation).

Who should use this calculator?

Use this calculator only if you meet all of the following criteria:

- you were an Australian resident for tax purposes at the time of the Demerger
- you do not own your AMP shares as trading stock
- your AMP shares are not held in an employee share scheme
- you did not participate in the Institutional Bookbuild under the AMP Rights Offer on 16-17 December 2003
- you exercised all or none of your rights for AMP Shares under the AMP Rights Offer (that is, you did not make a partial subscription for rights), and
- you did not sell any of your AMP Shares between 22 October 2003 and 19 December 2003.

Note: This calculator can only be used for a maximum of 21 parcels of shares.

5. Use the worksheet in the publication *AMP group demerger: How it affects Australian resident shareholders* (NAT 11101-6.2004). This publication can be downloaded in Portable Document Format (PDF): [AMP group demerger: How it affects Australian resident shareholders](#)  (376.4KB)

To order a printed copy, please take note of the NAT number – NAT 11101 – and select **Online publications ordering service** or phone the Publications Distribution Service **1300 720 092** for the cost of a local call. The Publications Distribution Service operates from 8.00 am to 6.00 pm, Monday to Friday.

Income securities

AMP also undertook an off-market buy-back offer of AMP **income securities**. This is separate from the demerger and rights offer and is not addressed in this document.

Share sale facility – HHG shares

HHG provided a share sale facility for some HHG shares. If you sold your shares under this facility you need to use the post-demerger cost

base of your HHG shares in calculating your capital gain or capital loss as a result of this sale.

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