



# Smorgon Steel – OneSteel merger (2007)

Work out the tax consequences of the Smorgon Steel and OneSteel merger.

6 October 2009

This document is for people who were shareholders in Smorgon Steel Group Limited (Smorgon) at the time of the Smorgon - OneSteel Limited (OneSteel) merger in August 2007.

You can use these instructions to work out your income tax obligations arising from the merger and update your capital gains tax (CGT) records if, at the time of the merger:

- you were an individual taxpayer who was an Australian resident for tax purposes
- you owned Smorgon shares that were transferred to OneSteel under the merger
- you were not eligible (under Subdivision 130-D of the Income Tax Assessment Act 1997) to have any capital gain or capital loss disregarded - this is relevant only to shareholders who acquired their Smorgon shares under an employee share scheme - and
- any gain or loss you made on your Smorgon shares was a capital gain or capital loss - this means that you held your shares as an investment asset rather than:
  - as trading stock
  - as part of carrying on a business, or
  - to make a short-term or one-off commercial gain.

Specifically, you will work out:

- your capital gain or capital loss on the Smorgon shares you transferred



You may need this information for your 2007-08 income tax return

- whether you can choose scrip-for-scrip rollover for the OneSteel shares you received
- the CGT cost base of the OneSteel shares you received.

## What happened?

Smorgon merged with the OneSteel group on 20 August 2007.

Smorgon shareholders transferred all their Smorgon shares to OneSteel. In return, they received 0.4091 OneSteel shares for each Smorgon share they had held.

## Tax consequences

The transfer of Smorgon shares to OneSteel was a **CGT event** for the Smorgon shareholders and may affect your 2007-08 income tax return.

The instructions and worksheet will help you work out the CGT consequences of this event.

**Using the instructions and worksheet**



**Section 1: Details of your Smorgon shares**



**Section 2: Capital gain or capital loss**



**Section 3: Your OneSteel shares cost base**




**More information**



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## Using the instructions and worksheet

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The [worksheet is a downloadable PDF, 12KB](#) . Print it out so you can complete it as you go through the instructions. You will also need your statement from OneSteel and a calculator.

You need to complete all three sections of the worksheet.

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## Section 1: Details of your Smorgon shares

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If you held more than one [parcel](#) of Smorgon shares before the merger, enter each parcel on the worksheet in the order you got them, oldest first.

For each parcel fill in the:

- acquisition date (column 2) (the date you got the shares)
- number of shares in the parcel (column 3), and
- cost base for the parcel (column 4).

## Section 2: Capital gain or capital loss

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In this section you work out whether you had a capital gain or capital loss as a result of receiving OneSteel shares under the merger.



**Attention** You need to work this out because if you had a:

- capital gain - you will need to include it when working out your net capital gain or capital loss for your 2007-08 income tax return unless you can choose rollover to defer the capital gain.
- capital loss - you will need to include it when working out your net capital gain or net capital loss for your 2007-08 income tax return.

## Column 5: Value of OneSteel shares received

You need to know the value of the OneSteel shares you received because you use it to work out the capital gain or capital loss you made.

Working out the value of your OneSteel shares is a two-step process: first you need to work out how many OneSteel shares you received for each parcel of Smorgon shares, then work out what they are worth.



**Attention** For every Smorgon share you received 0.4091 of a OneSteel share. The Tax Office accepts

**that the value of one OneSteel share on the day of the merger was \$5.8531.**

## Step 1: Number of OneSteel shares received

Work out how many OneSteel shares you received for each of your Smorgon share [parcels](#):

column 3 (Number of Smorgon shares in parcel) x 0.4091



**Attention: Keep these figures and use them when you are filling in column 10.**

## Step 2: Value of OneSteel shares

Work out the value of the parcel:

Result from Step 1 (Number of OneSteel shares in the parcel) x \$5.8531

Enter the answer in column 5.

Do this for each parcel of shares.

## Column 6: Capital gain or capital loss amount

### Step 1: Capital gain

To work out if you have made a capital gain on the OneSteel shares you received, take the [cost base](#) of your Smorgon shares (column 4) from the value of the OneSteel shares (column 5). So for each parcel, work out:

column 5 (value of OneSteel shares) - column 4 (cost base)

If the result is:

positive, you have made a capital gain - enter the result in column 6 and go to [column 7](#).

- zero or negative, you need to work out whether you have made a capital loss - go to step 2.

## Step 2: Capital loss

To work out whether you have a capital loss, take the [reduced cost base](#) of your Smorgon shares from the value of your OneSteel shares. For each parcel, work out:

column 5 (value of OneSteel shares) - reduced cost base

If the result is:

- negative, you have made a capital loss - you must include the capital loss amount when calculating your net capital gain or net capital loss for your 2007-08 tax return.
- zero or positive, you have neither a capital loss nor a capital gain.

Go to [section 3](#).

## Column 7: Scrip-for-scrip rollover

You can choose scrip-for-scrip rollover for your capital gain. To do this:

- print 'Y' in column 7, and
- go to [section 3](#) (you do not need to complete column 8).

 Attention

Most Smorgon shareholders will be able to, and will want to, choose scrip-for-scrip rollover.

If you do not choose scrip-for-scrip rollover, print 'N' in column 7 and go to column 8.

## Column 8: CGT discount

If you made a capital gain from the OneSteel shares received, you are eligible to treat any resulting capital gain as a [discounted capital gain](#) provided you:

- were an individual, a complying superannuation entity or an eligible trust at the time of the merger
- worked out the capital gain using a cost base that had been worked out without reference to indexation at any time, and
- had held your Smorgon shares for at least 12 months before the date of disposal.



**Date of disposal is taken to be 20 August 2007 (the acquisition date for general CGT purposes).**

For each parcel, print 'Y' in column 8 if you are eligible and 'N' if you are not eligible for the CGT discount.



**You must include this capital gain when calculating your net capital gain or net capital loss for your 2007-08 income tax return.**

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## Section 3: Your OneSteel shares cost base

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In this section you work out the CGT characteristics of your new OneSteel shares. Complete columns 9-11 for each parcel of OneSteel shares you have.

### Column 9: Acquisition date for CGT discount purposes

If you chose rollover	If you did not choose rollover
Copy the date from column 2. (For the purposes of scrip-for-scrip rollover, you are taken to have acquired your new OneSteel shares on the date you acquired	The date of the merger, 20 August 2007, is your acquisition date. (You cannot use a 'deemed date' as you would if you


the corresponding Smorgon shares.)	chose scrip-for-scrip rollover.)
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## Column 10: Number of shares received

Look at the advice you received from OneSteel and enter the total number of OneSteel shares you received in the 'Total' box at the bottom of the column.

Enter the number of OneSteel shares you received for each parcel of Smorgon shares (you worked this figure out at [step 1 in 'Column 5'](#). To do it again, multiply your column 3 number by 0.4091). Round each number to a full number, if required.

Add up column 10. Is the total the same as the one you entered at the beginning? If it isn't, go back to the individual parcels and adjust the rounding to make them add up the total number you got from OneSteel.


**Attention**

**Your column must add to the total provided by OneSteel. Any adjustment you make to your parcel numbers to make them add to this total must be done on a reasonable basis.**

## Column 11: Cost base per parcel

If you chose rollover	If you did not choose rollover
The cost base per parcel of your OneSteel shares is the amount shown in column 4 (that is, the cost base of your Smorgon shares becomes the cost base of your OneSteel shares).	The cost base per parcel of your OneSteel shares is the amount shown in column 5. (The Tax Office accepts that the value of a OneSteel share on the day of the merger was \$5.8531).

## You have finished the worksheet





**Attention** Remember to keep your Smorgon - OneSteel merger worksheet with your CGT records.

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## More information

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- Class Ruling CR 2007/67 'Income tax: scrip-for-scrip: acquisition of Smorgon Steel Group Limited by OneSteel Limited'.
- Guide to capital gains tax (NAT 4151)

## Terms explained

### Cost base, reduced cost base and acquisition date

Your CGT records for your Smorgon shares should show you your cost base and acquisition date for each parcel of your Smorgon shares.

Generally, the cost base of shares is the purchase price and any incidental costs such as transfers, stamp duties, and fees charged by consultants, accountants, lawyers or brokers.

For calculations where you have to work out a capital loss, you use reduced cost base rather than cost base. Your reduced cost base does not include indexation or certain other expenditure.

For most people your reduced cost base is the same as your cost base.


### Discounted capital gain

If you work out your capital gain using the 'discount method', you reduce (or discount) it using the 'CGT discount'. The result is referred to as a 'discounted capital gain'. If you use the discount method to work out your capital gain, you do not index the cost base.

### Parcel of shares

If you acquire more than one share on a particular date for a particular price, we refer to those shares as a parcel of shares. For example, you may have bought Smorgon shares on two occasions on the Australian Stock Exchange (ASX) - each of these acquisitions is a separate parcel.


Although each share is a separate CGT asset, it is usually more convenient to work out the CGT consequences for each parcel of shares.

 **Attention** Using the worksheet will be easier if you enter your parcels of shares in the order you acquired them, starting with the oldest.

## Scrip-for-scrip rollover

Allows you to defer your CGT obligation until a later CGT event happens to your shares. The company in which you have holdings usually advises you if the rollover conditions have been satisfied.

If you received shares plus cash for your original shares, you may be eligible only for partial rollover. If the information provided by the company is not sufficient for you to work out your capital gain, you may need to seek advice from us.

 Further information

For more information and a full explanation of these terms, see the Guide to capital gains tax (NAT 4151)

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