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# BHP Billiton group demerger worksheet



For more information about the BHP Billiton group demerger, refer to the fact sheet *2002 BHP Billiton group demerger – impact on resident individual shareholders*.



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# INTRODUCTION

## WHO CAN USE THIS WORKSHEET?

You can use this worksheet if:

- you are an individual (but not if you are a company or trust)
- you are an Australian resident for tax purposes
- you held shares in BHP Billiton at the time of the demerger on 22 July 2002
- you did not acquire your shares under an employee share scheme, and
- any gain or loss you made on the shares is 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.

## WHAT DO I NEED TO WORK OUT FOR CAPITAL GAINS TAX PURPOSES?

If you were a BHP Billiton shareholder at the time of the demerger there are two things you need to do for capital gains tax (CGT) purposes:

- consider whether you want to choose rollover relief, and
- recalculate the cost base and reduced cost base of your post-CGT BHP Billiton and post-CGT BHP Steel shares.

If you have sold any of your BHP Billiton or BHP Steel shares since the demerger you must work out your capital gain or capital loss on that sale.

## HOW DO I WORK OUT THESE AMOUNTS?

There are two ways you can calculate your CGT consequences:

- Use the demergers calculator on our website. Go to [www.ato.gov.au](http://www.ato.gov.au) and search for 'Demergers calculator'.
- Use this worksheet. You will probably need a calculator to assist you.

## What records do I need to complete my calculations?

You will need to know the CGT cost base of your BHP Billiton shares just before the demerger. If you have not worked that out, you may need some of the following information before you do your demerger calculations:

- details of shares issued to you, including bonus shares and share splits
- share allocation statements relating to dividend investment plans, bonus share plans, share purchase schemes and shares acquired through rights offers
- purchase documents (for example, for shares you purchased through a stockbroker), and
- incidental costs associated with the acquisition or later disposal of your shares (for example, brokerage and stamp duty).

 The BHP Billiton website has information available on share issues and dividend investment plans – go to [www.bhpbilliton.com.au](http://www.bhpbilliton.com.au)

 Remember to keep your CGT calculations with your other BHP Billiton and BHP Steel records.

# WORKSHEET

## DID YOU MAKE A CAPITAL GAIN ON YOUR BHP BILLITON SHARES?

**Step 1:** At **AA** write the number of pre-CGT shares<sup>1</sup> you had in BHP Billiton just before the demerger.

<b>AA</b>	
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**Step 2:** For your post-CGT shares<sup>2</sup> in BHP Billiton, fill in the first four columns in the table below – include shares you acquired when BHP Billiton was BHP – then work out the amounts for the next two columns. If the amount for the last column is negative, leave the column blank.

### Effect of the demerger on your post-CGT BHP Billiton shares

Parcel <sup>3</sup>	Date acquired (Earliest first) <sup>4</sup>	Number of shares in parcel		Cost base of parcel just before the demerger <sup>5</sup> (Do not include indexation in this amount)		Return of capital on parcel under this demerger (No. of shares x \$0.69)	Return of capital on parcel minus cost base of parcel (Leave blank if the amount is negative – this will be the case for most shareholders)	
		B1		C1			DD	\$
1		B1		C1				
2		B2		C2				
3		B3		C3				
4		B4		C4				
<b>Total</b>		<b>BB</b>		<b>CC</b>	\$		<b>DD</b>	\$

If you have more than four parcels, transfer this table to a sheet of paper and add more rows.

If you have an amount at **DD**, you made a capital gain under the demerger. You were entitled to choose rollover for this capital gain and ignore it. If you didn't choose rollover, you should have taken the capital gain into account in working out your net capital gain in your 2003 tax return. If you were entitled to apply the indexation or discount method, your capital gain would have been less than the amount shown at **DD** (refer to the *Guide to capital gains tax* for more information).

#### <sup>1</sup> Pre-CGT shares

Shares you acquired before capital gains tax was introduced on 20 September 1985 are referred to as pre-CGT shares. For more information about determining the date you are taken to have acquired your shares, refer to the *Guide to capital gains tax*.

#### <sup>2</sup> Post-CGT shares

Shares acquired on or after 20 September 1985 are referred to as post-CGT shares. They are subject to capital gains tax.

#### <sup>3</sup> Parcels of shares

The shares you acquired on a particular date at a particular price are referred to as a 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.

You treat all your pre-CGT shares as a single parcel regardless of whether you bought them all at the same time, because they are all exempt from CGT when you dispose of them.

#### <sup>4</sup> Date you acquired your shares

The date you acquired your shares is important because there are three methods available to work out the capital gain you make when you dispose of them, and the acquisition date determines what methods you can choose. For more information on the three methods, refer to the *Guide to capital gains tax*.

#### <sup>5</sup> Cost base/reduced cost base just before the demerger

If you have not already worked out the cost base and reduced cost base of the BHP Billiton shares you had just before the demerger, refer to the *Guide to capital gains tax* for information about how to do so.

If you owned your shares at the time of the OneSteel demerger (October 2000), you should already have reduced your cost base by the \$0.66 per share return of capital paid under that demerger.

Even if you want to use the indexation method to calculate your capital gain when you dispose of the shares, do not index the amounts you show in the table at **step 2 (C amounts)**. You may be able to do this when you work out your capital gain for the individual parcel or share. Indexation is available only for shares acquired before 21 September 1999 – for more information on indexation, refer to the *Guide to capital gains tax*.

**HOW MANY BHP STEEL SHARES DID YOU RECEIVE?**

**Step 3:** Use the formula below to work out how many BHP Steel shares you received under the demerger. You received one BHP Steel share for every five BHP Billiton shares you owned just before the demerger (or 20 for every 100) which means that the number of your BHP Steel shares is 20% of the number of your BHP Billiton shares.

Do not include BHP Steel shares you bought under the sale facility provided by BHP Billiton.

**Number of BHP Steel shares**

$$\begin{array}{r} \text{(AA} \quad + \quad \text{BB)} \\ \text{(from step 1) \quad (from step 2)} \end{array} \quad \times \quad 20\% \quad = \quad \text{EE}$$

(Round to the nearest whole number)

	=
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**How many of your BHP Steel shares relate to pre-CGT BHP Billiton shares?**

**!** This step does not apply if you had no pre-CGT shares in BHP Billiton (that is, your amount at AA is nil). Go to step 5 in the next section.

**Step 4:** Use the formula below to work out how many BHP Steel shares you received as a result of owning pre-CGT BHP Billiton shares. Insert the amounts you worked out in the first three steps as indicated, then round up to the nearest whole number for **FF** (for example, 21.2 becomes 22).

**Number of BHP Steel shares that relate to pre-CGT BHP Billiton shares**

$$\frac{\text{AA}}{\text{(AA + BB)}} \quad \times \quad \text{EE} \quad = \quad \text{FF}$$

(Round **up** to the nearest whole number)

	=
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If you choose rollover, your BHP Steel shares shown at **FF** are pre-CGT shares. You could choose rollover even if you did not make a capital gain at step 2 – that is, if you left **DD** blank.

If you didn't choose rollover, all your BHP Steel shares are subject to CGT when you dispose of them. Step 10 shows you how to work out the cost base and reduced cost base of the BHP Steel shares that relate to your pre-CGT BHP Billiton shares – you need these amounts to work out your capital gain (or capital loss) when you sell the shares.

**How many of your BHP Steel shares relate to post-CGT BHP Billiton shares?**

**Step 5:** Use the formula below to work out how many BHP Steel shares you received as a result of owning post-CGT BHP Billiton shares.

**Number of BHP Steel shares that relate to post-CGT BHP Billiton shares**

$$\text{EE} \quad - \quad \text{FF} \quad = \quad \text{GG}$$

	=
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**WORK OUT THE COST BASE AND REDUCED COST BASE OF YOUR SHARES**

The demerger affected the first element of the cost base and reduced cost base of your BHP Billiton shares. You need these amounts to work out your capital gain or capital loss when you dispose of your shares, so you need to recalculate them to take in the effects of the demerger. You also need to work out the cost base and reduced cost base of your BHP Steel shares.

BHP Billiton has advised that, just after the demerger, BHP Billiton represented 94.937% of the market value of the pre-demerger group (so just after the demerger BHP Steel represented 5.063% of the market value of the pre-demerger group). You use these percentages to work out the cost base and reduced cost base of your shares.

Steps 6 and 7 show you how to work out these amounts per share and per parcel for your post-CGT BHP Billiton shares, and steps 8–10 do the same for your BHP Steel shares.

**Post-CGT BHP Billiton shares**

**Step 6:** Use the formula below to work out the first element of the cost base and reduced cost base of each of your post-CGT BHP Billiton shares just after the demerger. (BB and CC come from step 2.)

**First element of cost base and reduced cost base per share (just after the demerger)**

$$\frac{(\text{CC} \times 94.937\%)}{\text{BB}}$$

= \$HH .

(Show the amount to two decimal places – rounded up)

	= \$
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**Step 7:** Copy the ‘Date acquired’ and ‘Number of shares in parcel’ details from the table in step 2 into the table below. Work out the first element of the cost base and reduced cost base for each **parcel** by multiplying the number of shares in the parcel by the amount at HH in step 6.

**First element of cost base and reduced cost base per parcel (just after the demerger)**

Parcel	Date acquired <sup>4</sup>	Number of shares in parcel	First element of cost base and reduced cost base of parcel just after demerger <sup>6</sup> (B x HH)
1		B1	J1
2		B2	J2
3		B3	J3
4		B4	J4
<b>Total</b>			<b>JJ</b>

← (Show the amount to two decimal places)

If you have more than four parcels, transfer this table to a sheet of paper and add more rows.

You use the **J** amounts in the table to work out your capital gain or capital loss when you dispose of your shares.

<sup>4</sup> **Date you acquired your shares**

The date you acquired your shares is important because there are three methods available to work out the capital gain you make when you dispose of them, and the acquisition date determines what methods you can choose. For more information on the three methods, refer to the *Guide to capital gains tax*.

<sup>6</sup> **Cost base/reduced cost base just after the demerger**

This Worksheet illustrates the cost base calculations using the ‘averaging method’. Taxation Determination TD 2006/73 explains that you can use other methods if they are reasonable. For example, in the circumstances of this demerger, it would also be reasonable to use the ‘parcel by parcel’ method outlined in Taxation Determination TD 2006/73.



For more information, see *Demergers: calculating your cost bases after a demerger* [www.ato.gov.au/large/content.asp?doc=/content/75646.htm](http://www.ato.gov.au/large/content.asp?doc=/content/75646.htm)

**Post-CGT BHP Steel shares**

**Step 8:** Use the formula below to work out the first element of the cost base and reduced cost base of each BHP Steel share you received for your post-CGT BHP Billiton shares (**CC** from step 2, **GG** from step 5).

 The first element of the cost base and reduced cost base of each post-CGT BHP Steel share is not \$3.45 (the capital return amount for five BHP Billiton shares).

**First element of cost base and reduced cost base of each BHP Steel share (just after the demerger)**

$$\frac{(\text{CC} \times 5.063\%)}{\text{GG}} = \text{\$KK}$$

(Show the amount to two decimal places – rounded up)

	= \$
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**Step 9:** Copy the ‘Date acquired’ and ‘Number of shares in parcel’ details from the table in step 7 into the table below. Work out:

- The number of shares in the BHP Steel parcel:  
Multiply the number of BHP Billiton shares by 20%. Take the result to one decimal point but add up the **L** column ignoring the figure after the decimal.  
If your total at **LL** is less than the number you worked out at **GG** in step 5, you need to allocate more shares to the **L** parcels. Starting with your earliest (oldest) parcel, round up every number that has a figure of five or more after the decimal point, and stop when your figure at **LL** is the same as **GG**.  
If you finish and **GG** still has more shares than **LL**, round up the other **L** column figures, starting with the earliest parcel, until **LL** and **GG** are the same (see example on page 8).
- The first element of the cost base and reduced cost base of each parcel:  
Multiply the number of shares in the parcel by the amount at **KK** in step 8.

**First element of cost base and reduced cost base of your BHP Steel parcels (just after the demerger)**

Parcel	Date acquired <sup>4</sup>	Number of BHP Billiton shares in parcel	Number of BHP Steel shares in parcel (number of BHP Billiton shares x 20%)	First element of cost base and reduced cost base of parcel just after the demerger (L x KK) <sup>6</sup>
1		B1	L1	M1
2		B2	L2	M2
3		B3	L3	M3
4		B4	L4	M4
<b>Total</b>			<b>LL</b>	<b>MM</b>

Show the amount to two decimal places (rounded up)

If you have more than four parcels transfer this table to a sheet of paper and add more rows.

<sup>4</sup> **Date you acquired your shares**

The date you acquired your shares is important because there are three methods available to work out the capital gain you make when you dispose of them, and the acquisition date determines what methods you can choose. For more information on the three methods, refer to the *Guide to capital gains tax*.

In the table in **step 9**, the date in the ‘Date acquired’ column is only relevant in working out whether you have owned the shares for at least 12 months when you dispose of them and can therefore use the discount method. For this purpose only, the date you acquired your BHP Steel shares is the date you acquired the BHP Billiton shares they are related to. For all other purposes, you acquired your BHP Steel shares on the date of the demerger – that is, 22 July 2002.

<sup>6</sup> **Cost base/reduced cost base just after the demerger**

This Worksheet illustrates the cost base calculations using the ‘averaging method’. Taxation Determination TD 2006/73 explains that you can use other methods if they are reasonable. For example, in the circumstances of this demerger, it would also be reasonable to use the ‘parcel by parcel’ method outlined in Taxation Determination TD 2006/73.

 For more information, see *Demergers: calculating your cost bases after a demerger* [www.ato.gov.au/large/content.asp?doc=/content/75646.htm](http://www.ato.gov.au/large/content.asp?doc=/content/75646.htm)

**Check your calculations**

**LL** must be the same as **GG** – go through step 9 again if it is not.

To check your cost base and reduced cost base calculations, add **MM** (above) to **JJ** (step 7). The total amount should be the same as the amount at **CC** (step 2) – any small difference is due to rounding and can be ignored.

**BHP Steel shares received for pre-CGT BHP Billiton shares**

Ignore this step if:

- you did not own any pre-CGT BHP Billiton shares at the time of the demerger (that is, you wrote ‘nil’ at **AA** in step 1)
- you owned some pre-CGT BHP Billiton shares at the time of the demerger and you chose rollover for all of those shares. The BHP Steel shares that relate to those pre-CGT BHP Billiton shares (that is, the number you worked out at **FF** in step 4) are exempt from CGT when you dispose of them.

**Step 10:** If you owned some pre-CGT BHP Billiton shares and did not choose rollover, complete this step to work out the first element of the cost base and reduced cost base of the BHP Steel shares you received for those pre-CGT BHP Billiton shares (the number at **FF**).

If you do not choose rollover for all of your pre-CGT shares, use the formula below to work out the first element of the cost base and reduced cost base of the parcel.

**First element of cost base and reduced cost base of your BHP Steel parcels (just after the demerger)**

<b>FF</b> x <b>\$3.45</b>	<b>= \$</b>
	<b>= \$</b>



- Unlike any other post-CGT BHP Steel shares you own, the first element of the cost base and reduced cost base of each of these shares is \$3.45 – the amount used to acquire each share under the demerger (five BHP Billiton shares at \$0.69 return of capital for each one).
- The date you acquired these shares is 22 July 2002, the date of the demerger.
- Your pre-CGT BHP Billiton shares retain their pre-CGT status.

**WORKING OUT ANY CAPITAL GAIN OR CAPITAL LOSS WHEN YOU DISPOSE OF YOUR SHARES**

If you sell your BHP Billiton or BHP Steel shares, you will need to work out your capital gain or capital loss and to do this you will need the first element of your cost base and reduced cost base worked out in the steps above.

There is a **Capital gain or capital loss worksheet** at the back of the *Guide to capital gains tax* that you can use to work out each capital gain you make. If you have both capital gains and capital losses, there is also a **CGT summary worksheet** in the guide to help you work out your net capital gain for the year.

**Sale of your BHP Steel shares**

If you sold your BHP Steel shares through the demerger sale facility, you disposed of them on 22 July 2002 and your capital proceeds were \$2.80 per share. Any capital gain or capital loss you made on that sale occurred in the 2002–03 income year.

If you have sold your pre-CGT shares in BHP Steel, you can disregard any capital gain or capital loss made under the sale.

**EXAMPLE OF STEP 9**

John has four parcels of post-CGT BHP Billiton shares containing 103, 300, 109 and 209 shares respectively. At **GG** (step 5), John worked out that he had received 144 BHP Steel shares for these BHP Billiton shares:

Parcel	Date acquired <sup>4</sup>	Number of BHP Billiton shares in parcel		Number of BHP Steel shares in parcel (Number of BHP Billiton shares x 20%)		First element of cost base and reduced cost base of parcel just after the demerger <sup>6</sup> (L x KK)	
1		B1	103	L1	20.6	M1	
2		B2	300	L2	60.0	M2	
3		B3	109	L3	21.8	M3	
4		B4	209	L4	41.8	M4	
<b>Total</b>				<b>LL</b>	<b>142</b>		

**GG = 144.**  
Therefore, John has 2 (144 – 142) excess shares that he allocates according to the arrows.

The final amounts John shows are:

Parcel	Date acquired <sup>4</sup>	Number of BHP Billiton shares in parcel		Number of BHP Steel shares in parcel (Number of BHP Billiton shares x 20%)		First element of cost base and reduced cost base of parcel just after the demerger <sup>6</sup> (L x KK)	
1		B1	103	L1	21	M1	
2		B2	300	L2	60	M2	
3		B3	109	L3	22	M3	
4		B4	209	L4	41	M4	
<b>Total</b>				<b>LL</b>	<b>144</b>		

<sup>4</sup> **Date you acquired your shares**

The date you acquired your shares is important because there are three methods available to work out the capital gain you make when you dispose of them, and the acquisition date determines what methods you can choose. For more information on the three methods, refer to the *Guide to capital gains tax*.

In the table in **step 9**, the date in the 'Date acquired' column is only relevant in working out whether you have owned the shares for at least 12 months when you dispose of them and can therefore use the discount method. For this purpose only, the date you acquired your BHP Steel shares is the date you acquired the BHP Billiton shares they are related to. For all other purposes, you acquired your BHP Steel shares on the date of the demerger – that is, 22 July 2002.

<sup>6</sup> **Cost base/reduced cost base just after the demerger**

This Worksheet illustrates the cost base calculations using the 'averaging method'. Taxation Determination TD 2006/73 explains that you can use other methods if they are reasonable. For example, in the circumstances of this demerger, it would also be reasonable to use the 'parcel by parcel' method outlined in Taxation Determination TD 2006/73.

For more information, see *Demergers: calculating your cost bases after a demerger* [www.ato.gov.au/large/content.asp?doc=/content/75646.htm](http://www.ato.gov.au/large/content.asp?doc=/content/75646.htm)