

**Worksheet 5: Capital gains**

Name of each beneficiary that is: a. Specifically entitled to an amount of a capital gain; and/or b. Presently entitled to a share of the trust income (if there is an amount of a capital gain to which no one is specifically entitled)	Column (2)	Column (3)	Column (4)	Column (5)	Show the product of net capital gain and column (4)	Non-active assets			Active assets			7 Net capital gain	
	Amount of the capital gain that a beneficiary is specifically entitled to (if any)	Beneficiary's adjusted Division 6 percentage of the trust income multiplied by an amount of the capital gain that no beneficiary is and no trustee is specifically entitled to	Total of columns (2) and (3)	Column (4) amount divided by the amount of the capital gain, as a percentage		1 Indexation applied	2 CGT discount applied	3 Other capital gains	4 Indexation and small business asset reduction applied	5 CGT discount and small business asset reduction applied	6 Other capital gains and small business 50% asset reduction applied		7 Net capital gain
Show here the total of the capital gain(s) to which the trustee has chosen to be assessed that would otherwise be assessed to a beneficiary.													
Show here the total of the capital gain(s) to which no beneficiary is presently entitled and in which no beneficiary has an indefeasible vested interest.													

Put the total at **A** item **21**.

## Worksheet 5: Capital gains (continued)

A trust advises a beneficiary of their share of a net capital gain in the categories 1 to 6 because a beneficiary needs to gross-up the share of net capital gain to which the trustee applied by multiplying:

- the CGT discount by 2, before deducting any capital losses, then the CGT discount
  - the small business 50% active asset reduction by 2, before deducting any capital losses, then the small business 50% active asset reduction
  - the CGT discount and the small business 50% active asset reduction by 4, before deducting any capital losses, then the CGT discount and the small business 50% active asset reduction.
- A beneficiary needs to decide which order of categories 1 to 6 to use to deduct losses that will give the best result.

For more information about these aspects of capital gains, see the *Guide to capital gains tax 2015*, at [ato.gov.au/cgt](http://ato.gov.au/cgt)

### Example

The Little Trust generated \$100 net rent and a \$600 capital gain (which was a discount capital gain). The trust also had a capital loss of \$100.

The trust deed does not define 'income' and therefore capital gains do not form part of the trust income. As a result, the income of the trust estate is \$100 and the taxable income is \$350 (\$100 + (\$600 - \$100)/2)

The trustee resolves to distribute \$300 related to the capital gain (after absorbing the capital loss) to Catherine and the \$100 rent to Aaron.

Catherine is specifically entitled to 60% of the \$600 capital gain under subsection 115-228(1) because she can reasonably be expected to receive the economic benefit of 60% (\$300) of the \$500 capital gain remaining after accounting for the \$100 capital loss. Under section 115-227, Catherine's share of the capital gain is \$360 (60% of the \$600 capital gain).

Aaron's share of the capital gain is \$240 under section 115-227 because he has an adjusted Division 6 percentage of 100% (since none of the capital gain is treated as trust income) and there is \$240 of the \$600 capital gain to which no one is specifically entitled.

Catherine divides her share of the capital gain (\$360) by the total capital gain (\$600) and therefore has 60% of the capital gain under paragraph 115-225(1)(b).

Aaron divides his share of the capital gain (\$240) by the total capital gain (\$600) and therefore has 40% of the capital gain under paragraph 115-225(1)(b).

The taxable income relating to the capital gain calculated under paragraph 115-225(1)(a) is \$250.

Catherine's attributable gain calculated under subsection 115-225(1) is \$150 (\$250 x 60%).

Aaron's attributable gain calculated under subsection 115-225(1) is \$100 (\$250 x 40%).

(Source: Examples 2.8, 2.9, 2.10 of the Explanatory Memorandum to the Tax Law Amendment (2011 Measures No 5) Bill 2011)