

TAXATION RULING NO. IT 2548

INCOME TAX : CAPITAL GAINS : ASCERTAINMENT OF THE COST
BASE OF AN ASSET AS AT 30 JUNE 1988 OWNED BY THE
TRUSTEE OF A COMPLYING APPROVED DEPOSIT FUND, A
COMPLYING SUPERANNUATION FUND OR A POOLED
SUPERANNUATION TRUST

F.O.I. EMBARGO: May be released

REF

N.O. REF: L89/3376-6

DATE OF EFFECT: Immediate

B.O. REF:

DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

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PREAMBLE Division 10 of Part IX of the Income Tax Assessment Act 1936 ("the Act") was inserted by Taxation Laws Amendment (Superannuation) Act 1989. The Division modifies the application of the Act to disposals of assets by the trustee of a complying superannuation fund, a complying approved deposit fund or a pooled superannuation trust.

2. Subsection 306(1) of Division 10 deems assets owned by one of these taxpayers at the end of 30 June 1988 to have been acquired on 30 June 1988 for the purposes of Part IIIA - Capital Gains and Capital Losses - of the Act. For such assets there are further provisions (sections 308 and 310 to 314) which specify their acquisition cost for the purpose of ascertaining capital gains and capital losses. Broadly, either the market value of the asset as at the end of 30 June 1988 or the cost base of the asset as at 30 June 1988 is used, whichever produces the smaller gain or loss. Difficulties may arise where a taxpayer subject to Division 10 has only kept details of the average cost of an asset which is part of a group of identical assets and not the actual cost of each asset in the group.

3. This ruling provides guidelines for determining the cost base of an asset which is part of a group of identical assets owned by a taxpayer subject to Division 10 whose income was exempt from tax before 1 July 1988. The ruling also applies in the case of a pooled superannuation trust, where the beneficiaries of the trust are and have always been presently entitled to all the income of the trust and the income of all the beneficiaries was exempt from tax before 1 July 1988.

RULING

4. For the purposes of Part IIIA such an entity will be able to use the average cost of a group of identical assets owned at the end of 30 June 1988 as a substitute for actual cost where, having regard to the recording and reporting system in operation prior to 1 July 1988, the entity would have found it impossible or an unreasonable administrative burden to ascertain the actual cost of a particular asset in the group. Where the actual cost of an asset has been used in determining the average cost of a group of identical assets and average cost is to be used for any asset in that group, average cost must be used for all assets in that group.

5. In determining whether a capital gain has accrued on the disposal of an asset under Part IIIA, the asset's cost base is subject to indexation if the asset has been owned for at least 12 months before the disposal. Where, as a result of paragraph 4, average cost is used for the cost base of an asset, it will still be necessary for the taxpayer to establish for indexation purposes whether the asset disposed of after 30 June 1988 had been held for more than 12 months at the date of disposal. It is expected that this requirement should be able to be met by identifying the actual acquisition date of any asset sold. A first in/first out basis will be acceptable for this purpose. However, in the unlikely event that no records exist to support an acquisition date, the asset is to be assumed to have been acquired on 30 June 1988.

6. This ruling only applies to assets owned at the end of 30 June 1988. For assets acquired after that date sufficient records should be kept to enable the actual cost and date of acquisition of each asset to be ascertained.

COMMISSIONER OF TAXATION

27 July 1989