

TD 6 - Capital Gains: Are separate improvements taken to be a single improvement for subsection 160P(6) purposes?

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CGT Determination Number 6

Capital Gains: Are separate improvements taken to be a single improvement for subsection 160P(6) purposes?

Determination

1. Subsection 160P(6) is concerned with significant post 19 September 1985 capital improvements made to an asset acquired pre-20 September 1985 (underlying asset).
2. For the purposes of subsection 160P(6), the term "improvement" is taken to include "improvements".
3. Where a number of separate related or unrelated improvements are made over time to an asset, they will be taken to be (collectively) a "single" significant improvement if the total of all the indexed cost bases meets the threshold tests. If the threshold tests are met, this "single" improvement is deemed to be an asset separate to the underlying asset.

Example:

The owner of a yacht purchased in 1983 undertakes three separate improvements over a five year period costing \$30,000, \$25,000 and \$40,000. All improvements are made to the yacht after 19 September 1985. The yacht is sold in 1990 and the total amount of the indexed cost bases of the separate improvements exceeds 5% of the amount paid for the yacht.

Case (i): The separate improvements relate to refurbishment of the yacht.

The total of the indexed cost bases is, at least, \$95,000. At the date of sale, this amount exceeds the \$73,459 indexation factor for 1990-91 (section 160Q). The collective improvement is therefore deemed to be an asset separate to the yacht.

Case (ii): The improvements are distinct and unrelated improvements to the yacht.

As the term "improvement" is also taken to include "improvements", the result is the

same as in case (i).

COMMISSIONER OF TAXATION

10 September 1991

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