

TD 17 - Capital Gains: When an option to acquire an asset has been exercised, from what date can the option fee be indexed?

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! This document has changed over time. This is a consolidated version of the ruling which was published on *29 November 2006*

CGT Cell Determinations do not have the force of law, but can be relied upon as being the considered view of the ATO. Unless otherwise stated, the view expressed may be applied to transactions entered into both before and after the date of issue of the Determination.

CGT Determination Number 17

Capital Gains: When an option to acquire an asset has been exercised, from what date can the option fee be indexed?

Determination

1. Where an option has been exercised, the option fee can be indexed from the time the liability to pay the option fee arose.
2. The exercise price that also forms part of the acquisition consideration of the asset may be indexed from the time the liability to pay that amount arises following the exercise of the option. However, in certain cases, indexation is only available from the time the amount of consideration was paid or given e.g. calls paid on a share.
3. Under the CGT provisions, indexation of the cost base of an asset is only available where the asset has been owned for 12 months. Hence indexation of the option fee and exercise price is not available until the particular asset has been owned for 12 months. This is the case even if the option fee was paid more than 12 months before the date of disposal of the asset.

Example:

On 1 April 1990, a landowner grants a taxpayer an option to buy his/her land for \$100,000 on 30 June 1991. The option fee is \$10,000.

The taxpayer exercises the option and acquires the asset on 30 June 1991. To work out if there is a capital gain on the disposal of the land, indexation is available if the land is disposed of on or after 30 June 1992.

The option fee can be indexed from 1 April 1990 - the time the liability to pay the option fee arose. The exercise price, \$100,000, is indexed from 30 June 1991 - the date the liability arose to pay the exercise price.

COMMISSIONER OF TAXATION

31 October 1991

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Indexation

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