

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Income tax: capital gains: how is the date of acquisition and the cost base of bonus shares determined where the bonus shares are issued after the date of death and in respect of shares held by the deceased at the date of death?

1 In these circumstances, the date of acquisition and the cost base of the bonus shares are determined in accordance with the provisions of Division 8 and 8A of Part IIIA of the *Income Tax Assessment Act 1936*.

2. Section 160X does not apply.

Example:

On 6 January 1990, Donald purchased 1,000 shares in BAM Ltd for \$2000. Donald died on 15 April 1991 and the 1,000 shares in BAM Ltd formed part of the estate.

On 10 May 1991, a fully assessable dividend of \$150 was paid in the form of 50 wholly paid bonus shares in BAM Ltd. The cost of the bonus shares will include this amount taxed as a dividend.

(i) Under subsection 160X(5), the legal personal representative (LPR) or beneficiary is deemed to have acquired the 1,000 **original shares** in BAM Ltd at Donald's date of death.

(ii) The **bonus shares** are acquired by the LPR or beneficiary on the date of issue viz. 10 May 1991.

(iii) The cost of the **original shares** to the LPR or beneficiary is calculated in terms of subparagraph 160X(5)(b)(i) by indexing the original cost to Donald from 6 January 1990 to 15 April 1991

$$\text{viz. } \frac{106.0}{100.9} \times \$2000 = \$2101$$

(iv) Accordingly, the deemed cost of the 1050 shares in BAM Ltd is \$2251 (i.e. \$2101 + \$150). The cost base of the bonus shares is $\frac{\$2251}{1050} = \2.15 .

Commissioner of Taxation

16/12/93

FOI INDEX DETAIL: Reference No.

Related Determinations:

Subject Ref: acquisition; bonus shares; cost base; deceased; shares; capital gains tax

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