

TD 92/148 - Income tax: capital gains: is there a disposal and an acquisition where joint owners of a block of land subdivide that land into two smaller blocks with each owning one block?

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! This ruling contains references to repealed provisions, some of which may have been rewritten. The ruling still has effect. Paragraph 32 in [TR 2006/10](#) provides further guidance on the status and binding effect of public rulings where the law has been repealed or repealed and rewritten. The legislative references at the end of the ruling indicate the repealed provisions and, where applicable, the rewritten provisions.

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

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part 4VAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, the Determination applies to transactions entered into both before and after its date of issue.

Taxation Determination

Income tax: capital gains: is there a disposal and an acquisition where joint owners of a block of land subdivide that land into two smaller blocks with each owning one block?

1. Upon initial acquisition and before the subdivision of the land by the former joint owners, each acquired a 50% individual interest in the whole land.
2. After the subdivision, both owners have a 50% interest in each of the subdivided blocks. As there has been no change in ownership of the subdivided land, there is no acquisition or disposal for CGT purposes (see CGT Determination No. 7).
3. However, as a result of the transaction whereby each now has sole ownership of an individual block, each owner is taken to have disposed of his or her 50% interest in the subdivided block which is now owned by the other. There have been corresponding acquisitions by each owner from the other of that interest in land now owned by each of them which was previously owned by the other.

Note: If the original land had been acquired pre-CGT, there would be no disposals subject to CGT. However, in respect of each subdivided block, each individual owner would now hold a 50% pre-CGT interest and a 50% post-CGT interest.

Example:

A and B were joint owners of a one hectare block of land acquired in 1986. In 1992, they subdivide the land. A took a one-half hectare block (block 1) and B took the other one-half hectare block (block 2). A acquired a 50% interest in land constituted by block 1 in 1986 and acquired the remaining 50% interest from B in 1992. Similarly, B acquired a 50% interest in the land constituted by block 2 in 1986 and acquired the remaining 50% interest from A in 1992.

A and B have each disposed of their 50% interest in that land constituted by blocks 2 and 1 respectively, in 1992.

Commissioner of Taxation

27/8/92

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