TD 98/24ER - Notice of Erratum - Income tax: capital gains: what are the CGT consequences of a CGT event happening to post-CGT real property if the property comprises separate CGT assets under Subdivision 108-D in Part 3-1 of the Income Tax Assessment Act 1997 (the 1997 Act) or if the property is sold with depreciable assets?

Erratum

Income tax: capital gains: what are the CGT consequences of a CGT event happening to post-CGT real property if the property comprises separate CGT assets under Subdivision 108-D in Part 3-1 of the *Income Tax Assessment Act 1997* (the 1997 Act) or if the property is sold with depreciable assets?

At Paragraph 12

Omit paragraph 12 and insert new paragraph 12 as below:

'12. Correctly treating the plant as a separate asset from the land and building in accordance with the CGT provisions results in a net capital gain of $92,840 being:

Land and building	*Sale price - Cost base as indexed*	
	$190,000 - ($70,000 x [say] 1.388)	*= $92,840*
Plant	*Reduced cost base - Sale price*	
	($25,000 - $15,000) - $10,000	*= 0*
	Net capital gain	*= $92,840'*

Note 1: The calculation of the reduced cost base of the plant in Example 1 (paragraph 12) in TD 98/24 is incorrect because it does not take into account the balancing adjustment of $6,000 deductible under subsections 42-195(1) and 42-195(2) of the *Income Tax Assessment Act 1997* which, under subsection 110-55(4), is not included in the reduced cost base. The amount of $6000 is the difference between the undeducted cost of the plant of $16,000 (that is $25,000 less $9,000) and its termination value of $10,000 (assuming no sale expenses).

Note 2: The calculation of the capital gain in paragraph 13 of TD 98/24 needs to reflect the change made to the *Income Tax Assessment Act 1997* by Act No 16 of 1999 to exclude deductible amounts from the cost base of a CGT asset.

Commissioner of Taxation
28 July 1999

ATO references:
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