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:

\[
\begin{align*}
\text{Land and building} & : \quad \text{Sale price} - \text{Cost base as indexed} \\
& = 190,000 - (70,000 \times \text{[say] 1.388}) = 92,840 \\
\text{Plant} & : \quad \text{Reduced cost base} - \text{Sale price} \\
& = (25,000 - 15,000) - 10,000 = 0 \\
\text{Net capital gain} & = 92,840
\end{align*}
\]

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:
NO 99/4295-5; 98/6646-9
ISSN: 1038 - 8982