INTRODUCTION TO CAPITAL GAINS TAX

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OVERVIEW

For capital gains tax to apply in Australia, a CGT Event must happen to a CGT assessable Asset. The most common event is a sale, and the most common assets are real estate and shares. However, see the list at the end of this paper for a comprehensive list of CGT events as they apply to various assets.

Capital gains and losses can be made by individuals, companies and trusts.

Capital gains tax in Australia applies when a profit is made on the disposal of an asset that was acquired after 20 September 1985. Capital assets are defined in the legislation to be "any kind of property" or "a legal or equitable right that is not property."

There are some disposals that will be subject to CGT Exemptions, the most common of which is the main residence exemption.

The total gain of a taxpayer is the total profit made from the sale of an asset. The total profit is obtained by subtracting the cost base from the capital proceeds.

Once the total gain has been worked out, the net gain is worked out by applying any capital losses, then applying the CGT discount if applicable.

After calculating net capital gain, the taxpayer who disposed of the property includes the net capital gain in his or her assessable income when their tax returns are lodged.
**DID A CAPITAL GAINS TAX EVENT HAPPEN?**

CGT Events are what "trigger" capital gains tax. There are a lot of different situations that trigger capital gains tax (see the list at the end of this paper), but by far the most common one is selling an asset.

When there is a sale of an investment, the capital gains tax provisions are triggered. Unless there is a capital gains tax exemption or a rollover provision, it is necessary to calculate the capital gain. This may need the assistance of a tax accountant in order to determine when the CGT Event took place.

The date of sale is the date on which an agreement is entered into to sell the asset, not when the sale is finalised. So for real estate, the CGT Event happens upon exchange of Contracts, not on the date of settlement. It is important to remember this when determining which year the capital gains tax event occurred in.
IS THERE A CAPITAL GAIN OR CAPITAL LOSS?

Once it is determined that a disposal is subject to the capital gains tax provisions, it is necessary to work out whether there is a gain or a loss.

**Capital Gains**

Capital gains occur when you receive more money for something than you paid for it. The net capital gain is added to your taxable income and taxed at your marginal rate. For more on this, see calculating capital gains.

**Capital Losses**

Capital losses are not deductible against your ordinary taxable income. But they are used to reduce any other capital gains you make in the year, or any gains in subsequent years. You can carry forward capital losses indefinitely, but you must apply them to gains when they arise (i.e. you cannot decide which year you want to use them).
CAPITAL GAINS TAX EXEMPTIONS AND CONCESSIONS

There are a number of exemptions and concessions when it comes to capital gains tax in Australia.

Exempt Assets

1. Main Residence

Your main residence is not subject to capital gains tax. Once your place is deemed to be your main residence, you can rent it out for up to six years without losing your main residence exemption.

Any capital gain or loss made on the disposal of a taxpayer's main residence is exempt from capital gains. To qualify, a person must own or acquire a "dwelling" which is defined to include a predominantly residential unit of accommodation constituted or contained within a building. The dwelling itself can be a caravan, houseboat or mobile home as well as the land below the dwelling.

Multiple Dwellings on the One Property

As a general rule, the main residence exemption only applies to one unit of accommodation that is used as a person's main residence. However, in circumstances where there are multiple units of accommodation, they may in qualify as part of the main residence. This is generally when the two units of accommodation are so integrated, that they are not considered to be separate from the main residence.

For example, if there is a caravan parked behind a farmhouse, and a family member lives in there, but regularly uses the facilities in the farmhouse, it might be considered part of the main residence. But if two dwellings are independent of each other, but affixed to the owners land, then that would generally constitute a separate dwelling.

In all, the question of whether or not multiple units of accommodation constitute the same dwelling is a matter to be determined on individual circumstances. The courts have taken the view that the facts considered in deciding whether multiple units can constitute the same dwelling are:

(a) whether the occupants sleep, eat and live in them;
(b) the distance between and the proximity of the units of accommodation;
(c) whether the units are connected;
(d) whether the units are capable of being sold separately;
(e) the extent to which the daily activities of the occupants in the units are integrated;
(f) how the units are shared by the occupants; and
(g) how costs of the units are shared by the occupants.
Ownership
A person is considered to own or have acquired the dwelling if they have a legal or equitable estate or interest in the land on which the dwelling resides, or a license to occupy the dwelling.

Where ownership is shared, the main residence exemption will apply separately to each owner, if they are both using the dwelling as their main residence.

The main residence exemption will not be available when the property is held by an individual trustee of a trust (ID 2003/467), nor will it be available when held by a company, or corporate trustee (ID 2003/163).

Adjacent Land & Subdivided Land
The main residence exemption includes land that is adjacent to the dwelling, if it is used for private or domestic purposes and the dwelling and surrounding land does not exceed 2 hectares. To be considered adjacent, the land need not be connected, but has to be close or near (TD 1999/68). If part of the land is used for income producing purposes, then the main residence exemption is denied for whatever portion of the land was not used for private or domestic purposes (TD 2000/15).

If the land exceeds 2 hectares, the taxpayer may select which 2 hectares will qualify for the main residence exemption. If those two hectares can be separately valued, then the proportion of capital gain they generate when disposed of will be disregarded. If the 2 hectares cannot be separately valued, the proportion entitled to a main residence exemption will be calculated on an area basis (TD 1999/67).

A Separate garage or store room is also considered part of the main residence exemption, provided that it is attached to the building or is part of the building in which the unit of accommodation is contained, and it is used for private or domestic purposes.

If adjacent land is disposed of separately from the rest of the dwelling; or the garage, storeroom or other structure forming part of the dwelling is disposed of separately, the main residence exemption will not apply to that disposal.

Timing Issues
The main residence exemption covers the period from when the dwelling is acquired until it is first practicable to take up residence. This allows for a period of grace in moving in, which may be due to illness or the necessity to undertake repairs. The main residence exemption will not cover the period in which an owner cannot move in because it is being rented out.
Changing Main Residence

A taxpayer may sometimes acquire a new dwelling with the intention of making it the new main residence before disposing of the old dwelling. In this situation, both dwellings may be treated as the taxpayer's main residence for whichever is shorter:

(a) the period between the acquisition of the new dwelling and the sale of the old dwelling; or
(b) 6 month

For this to apply,

(a) the old residence must have been the taxpayer's main residence for at least 3 of the 12 months before the disposal; and
(b) the old dwelling was not used to produce assessable income in any part of the 12 month period when it was not the taxpayer's non-residence.

Absences
A taxpayer may maintain a main residence indefinitely without actually inhabiting it. For example, if a taxpayer were to move out to join a circus, the taxpayer could leave the residence empty and still maintain that as the main residence.

A taxpayer, however, may only maintain one main residence, except the period in between changing main residences.

In cases where the main residence is rented, the main residence exemption will not apply after 6 years.

Construction, Renovation or Repair

If land is acquired with the intention of constructing a residential home, the property may be treated as a the taxpayer's main residence for a period of up to four years prior to the property becoming the taxpayer's main residence. It applies regardless of whether there is a preexisting home on the property, or the taxpayer is building from scratch. This is provided that the dwelling is occupied as soon as practicable, it remains the taxpayers main residence for at least 3 months, and no other main residence is being claimed in the interim.

Destruction of the Dwelling

If the dwelling that is the main residence of an individual is destroyed, and the land is subsequently sold, the taxpayer may still claim the main residence exemption.

Renting Out the Main Residence

Renting out the main residence for a period of up to 6 years should not affect any main residency status. This six year period is cumulative, so it could be gradually derived over a longer period with a number of tenants with periods of returning home and so forth. Once a
person has produced income from the main residence for 6 years, the main residency benefits are lost on a pro rata basis. For example, if the main residence was rented out for seven years, the capital gains tax when sold would only be payable on that one year exceeding the allowed six.

**Use for Income Producing Purposes**

Where a main residence exemption would otherwise be available, but part of the property is used for income producing purposes, then the capital gains tax exemption is only partly available on a pro rata basis. For example, a room in a doctor's home being used to see patients. In such a case, the main residence exemption could still apply to the rest of the house, but would not apply to the part of the house used to produce income.

In determining whether a dwelling or part of a dwelling was used to produce assessable income, the test use is: if the individual had incurred interest on money borrowed to purchase the property, and the dwelling is used for producing assessable income then that interest would be deductible.

If the property is determined to be partly used for producing assessable income, then the apportionment of the main residence exemption is generally calculated on a floor area basis (TD 1999/66).

2. **Cars and Motor Cycles**

Capital gains and losses relating to a car or motorcycle are ignored.

3. **Decorations for Valour**

A capital gain or loss arising from the disposal of a decoration for valour is ignored unless it was purchased by the taxpayer, in which case it would be treated as a collectable.

4. **Collectables costing $500 or less**

A capital gain or loss arising from the disposal of a collectables that was acquired for $500 or less is disregarded. The $500 applies to the value of the asset, not the taxpayer's interest in that asset.
CAPITAL GAINS TAX DISCOUNTS & CONCESSIONS

There are a number of exemptions and concessions when it comes to capital gains tax in Australia.

Capital Gains Tax Discount

There is a capital gains tax discount for individuals, trusts and super funds who/which hold a CGT asset for at least one year before selling.

The discount available for individual taxpayers is 50%. This means that only one half of the capital gain is to be included in taxable income if the asset was held for at least one year.

For super funds, the discount is 1/3 of the gain, and the CGT asset must also be held for one year.

For trusts, the discount depends on the beneficiary of the gain. If the beneficiary of the gain is an individual, then the 50% discount on the capital gain distributed is available.

Companies are not entitled to any capital gains tax discounts.

Small Business Concession

There is a 50% small business concession available to some small businesses. To find out eligibility, talk to a tax agent.
CAPITAL GAINS TAX ROLLOVERS

There are some rollover situations where CGT Events are basically ignored and CGT is effectively deferred.

These include:

- Replacement asset rollover events;
- Same asset rollover events;
- Small business disposal
- Marriage or relationship breakdown rollover (see below for details)

The specific rules relating to these situations are complex and should be discussed with a tax agent if you think any of them may apply.

Marriage or relationship breakdown rollover and what it means

If an asset, or an interest in an asset, is transferred by a person to their spouse as a result of the breakdown of their marriage or relationship, rollover applies provided certain conditions are met.

The conditions include that the transfer has to happen because of a court order (including a consent order), a binding financial agreement, an arbitral award or a binding agreement or award relating to the breakdown of relationships between spouses. For transfers that happen because of a binding financial agreement, an arbitral award or a binding agreement or award relating to the breakdown of relationships between spouses, rollover only applies if the CGT event happens after 12 December 2006.

The effect of a marriage or relationship breakdown rollover is that the spouse transferring the asset disregards the capital gain or capital loss that would otherwise arise. The spouse who receives the asset pays any CGT when they subsequently dispose of it. Basically, the spouse is taken to have paid what the person who transferred the asset paid for it.

Taxpayers don’t choose rollover on marriage or relationship breakdown. If the transfer meets the necessary conditions, rollover applies automatically.

From the 2009-10 income year the marriage or relationship breakdown rollover will be extended to same sex couples.

If the person transferring the asset acquired it before 20 September 1985 (pre-CGT) and rollover applies, the spouse who receives it is taken to have acquired it pre-CGT – which generally means no CGT is payable by them when they sell it.

If the asset transferred was always the main residence of either spouse, it will generally be exempt from CGT when it is sold. If it was the main residence of either spouse for part of the period they owned it, they may be entitled to a part exemption on sale.
The rollover can also apply to assets transferred from a company or trust to a spouse on marriage or relationship breakdown.

**Additional rollover conditions for agreements that do not require court intervention**

For transfers that happen because of a binding financial agreement, or a binding agreement used by a separating couple, rollover only applies if at the time of the transfer:

- the spouses involved are separated
- there is no reasonable likelihood of cohabitation being resumed, and
- the transfer happened because of reasons directly connected with the breakdown of the marriage or relationship.

The transfer may not be directly connected with the breakdown if, for example:

- the spouses had an agreement before the breakdown of their marriage or relationship that the particular property was to be transferred between them for other reasons not directly related to the marriage or relationship breakdown, or
- the agreement provided for the transfer of non-specific property, the transfer does not occur for a considerable time (say, more than 12 months) after the agreement and factors are present that suggest the transfer was not directly connected to the marriage or relationship breakdown.

**If rollover does not apply**

If spouses divide assets under a private or informal arrangement (not because of a court order, binding financial agreement, an arbitral award or other specified agreement or award), the marriage or relationship breakdown rollover does not apply.

This means the spouse transferring the asset must take any capital gain or capital loss they make into account in working out their net capital gain for the year in which the CGT event happened.

Generally, spouses who divide assets under a private or informal arrangement won’t have dealt with each other at arm’s length in connection with the transfer. In such cases, the spouse who transferred the asset is taken to have received the market value of the asset at the time it was transferred and the spouse who received it is taken to have paid the market value.
SELF MANAGED SUPER FUNDS AND CGT

Self managed super funds are subject to a 1/3 capital gains tax discount if the time parameters in holding an asset are met. However, a super fund in pension mode will not be subject to capital gains tax at all, so plan asset disposals carefully.

Running a Self Managed Super Fund

The Superannuation Industry (Supervision) Act 1993 clearly states the rights and responsibilities of a trustee of a self managed super fund. It's a good idea to have guidance on acting as a trustee, as the penalties for breaching the Act are very severe.

For further information see a Financial Advisor or Tax Advisor.
**CAPITAL GAINS TAX ON ASSETS PASSING TO BENEFICIARIES**

**OR – Is This a Pseudo Death Duty**

**Assets passing to a Beneficiary or Legal Representative**

In administering and winding up a deceased estate, a legal personal representative may need to dispose of some or all of the assets of the estate. Assets disposed of in this way are subject to the normal rules and any capital gain the legal personal representative makes on the disposal is subject to capital gains tax (CGT).

Similarly, it may be necessary for the legal personal representative to acquire an asset (for example, to satisfy a specific legacy made). Any capital gain or capital loss they make on disposal of that asset to the beneficiary is subject to the normal CGT rules.

If a beneficiary sells an asset they have inherited, the normal CGT rules apply.

**Date of acquisition**

If a person acquires an asset owned by a deceased person as the legal personal representative or beneficiary of the estate, they are deemed to have acquired the asset on the day the person died. If that was before 20 September 1985, any capital gain or capital loss is disregarded.

If, before they died, a person made a major improvement to a pre-CGT asset on or after 20 September 1985, the improvement is not treated as a separate asset.

A beneficiary or legal personal representative is taken to have acquired the improved asset when the person died. Although the deceased used to treat the asset and the improvement as separate assets, the beneficiary or legal personal representative now treats them as one asset.

**Cost base of asset**

If the deceased person acquired their asset before 20 September 1985, the first element of the cost base and reduced cost base (that is, the amount taken to have been paid for the asset) is the market value of the asset on the day the person died.

If a deceased person acquired their asset on or after 20 September 1985, the first element of the cost base and reduced cost base, is taken to be the cost base (indexed where relevant) and reduced cost base, respectively, of the asset on the day the person died.

If the deceased person died before 21 September 1999, upon disposal (or when another CGT event happens), the indexation method is applied as the first element of the cost base from the date the deceased person acquired it up until 21 September 1999. Thereafter the 50% concession should be applied.

If the deceased person died on or after 21 September 1999, the indexation method is unavailable. Upon disposal of the asset recalculate the first element of the cost base to leave out any indexation that was included in the deceased’s cost base.

**Expenditure incurred by a legal personal representative**

A beneficiary can include in the cost base (and reduced cost base) any expenditure the legal personal representative (for example, the executor) would have been able to include in their cost base if they had sold the asset instead of distributing it to that beneficiary. Include the expenditure on the date it is incurred.
For example, if an executor incurs costs in confirming the validity of the deceased's will, these costs form part of the cost base of the estate's assets.

**Collectables and personal use assets**

A post-CGT asset that is a collectable or personal use asset is still treated as such when received by a beneficiary or the legal personal representative of the estate.

**Inheriting a dwelling**

Upon inheriting a deceased person's dwelling, a beneficiary may be exempt or partially exempt when a capital gains tax event happens in relation to it.

The same exemptions apply if a CGT event happens in relation to a deceased's estate of which the beneficiary is the trustee.

This information does not apply to a share of a property acquired on the death of a joint tenant. Different rules apply in that situation. Similarly, the rules below do not apply to land or a structure you sell separately from the dwelling. They are subject to capital gains tax.

**What happens to assets when the owner dies?**

Special capital gains tax rules apply to the transfer of any CGT assets from a deceased estate.

When a person dies, the assets that make up their estate can:

- Pass directly to a beneficiary (or beneficiaries), or
- Pass directly to their legal personal representative (for example, their executor) who may dispose of the assets or pass them to the beneficiary (or beneficiaries).

A beneficiary is a person entitled to assets of a deceased estate. They can be named as a beneficiary in a will or they can be entitled to the assets because of the laws of intestacy (when the person does not make a will).

A legal personal representative can be either:

- The executor of a deceased estate (that is, a person appointed to wind up the estate in accordance with the will), or
- An administrator appointed to wind up the estate if the person does not leave a will.

**Disregarding capital gain or loss on death**

There is a general rule that CGT applies to any change of ownership of a CGT asset, unless the asset was acquired before 20 September 1985 (pre-CGT).

There is a special rule that allows any capital gain or capital loss made on a post-CGT asset to be disregarded if, when a person dies, an asset they owned passes:

- To their legal personal representative or to a beneficiary, or
- From their legal personal representative to a beneficiary

**Exceptions to this rule**

A capital gain or capital loss is not disregarded if a post-CGT asset owned at the time of death passes from the deceased to a *tax-advantaged entity* or to a *non-resident*. In these cases, a CGT event is taken to have happened in relation to the asset just before the person dies. The CGT event will result in:
- A capital gain if the market value of the asset on the day the person dies is more than the cost base of the asset, or
- A capital loss if the market value is less than the asset's reduced cost base.

However, any capital gain or capital loss from a testamentary gift of property can be disregarded if the gift is made:
- Under the Cultural Bequests Program (which applies to certain gifts of property—not land or buildings—to a library, museum or art gallery), or
- To a deductible gift recipient or a registered political party and the gift would have been income tax deductible if it had not been a testamentary gift.

These capital gains and losses should be taken into account in the deceased person's 'date of death return' (the tax return for the period, from the start of the income year, to the date of the person's death).

A tax-advantaged entity is:
- A tax-exempt entity (for example, a church or charity), or
- The trustee of
  - A complying superannuation fund
  - A complying approved deposit fund, or
  - A pooled superannuation trust

If a non-resident is a beneficiary of a deceased's post-CGT asset, any capital gain or capital loss is not disregarded if the:
- Deceased was an Australian resident when they died
- Asset does not have the necessary connection with Australia.

Examples of assets that do not have the necessary connection with Australia include:
- Real estate located overseas
- Shares in a non-resident company, and
- Shares in an Australian public company if the total number of shares owned is less than 10% of the value of shares in the company.

Capital Losses

If the deceased had any unapplied net capital losses when he died, these cannot be passed on to the beneficiary or legal personal representative to offset against any net capital gains.

Joint Assets

If two or more people acquire a property asset together, it can be either as joint tenants or as tenants in common. If one of the joint tenants dies, their interest in the property passes to the surviving joint tenant(s). It is not an asset of the deceased estate. If a tenant in common dies, their interest in the property is an asset of their deceased estate. This means it can be transferred only to a beneficiary of the estate or be sold (or otherwise dealt with) by the legal personal representative of the estate.

For capital gains tax purposes, a joint tenant is treated as a tenant in common owning equal shares in the asset. However, if one of the other joint tenants dies, on that date their interest in the asset is taken to pass in equal shares to the surviving joint tenant(s).
For the indexation and discount methods to apply, the asset (or the beneficiary’s share of it) must be held for at least 12 months. The surviving joint tenant, for the purposes of this 12-month test, is taken to have acquired the deceased’s interest in the asset (or the survivor’s share of it) at the time the deceased person acquired it.

**Example - CGT & Joint Tenants**

A and B acquired land as joint tenants before 20 September 1985. A died in October 2004. For CGT purposes, B is taken to have acquired A’s interest in the land at its market value at the time of his death.

B holds her original 50% interest as a pre-CGT asset, and the inherited 50% interest as a post-CGT asset, which she is taken to have acquired at its market value at the date of A's death.

If B sold the land within 12 months of A's death, she would still qualify for the CGT discount on any capital gains she makes on her post-CGT interest. She qualifies for the CGT discount because, for the purposes of the 12-month ownership test, she is taken to have acquired A's interest at the time when he acquired it, which was before 20 September 1985.

**Records relating to Inheritance**

Upon inheriting an asset as a beneficiary of the estate of a person who died on or after 20 September 1985 special records must be kept. These records for varying situations are as follows:

- If the deceased person acquired the asset before 20 September 1985, record the market value of the asset at the date of the person's death and the amount of any relevant costs incurred by the executor or trustee. This is the amount that the asset is taken to have cost. A valuation at the date of death is required.

- If the inheritance occurs on or after 20 September 1985, a beneficiary needs to know full details of all relevant costs incurred by the deceased person and by the executors or trustee. Get those details from the executor or trustee.

- If, after 20 August 1996, the inheritance is of a house that was the family home of the deceased and it was not regarded as being used to produce income at the time of death, the beneficiary will be taken to have acquired the house at its market value at the date of death. A valuation at date of death will be required. Keep any other costs paid out for the asset since the date of death of the deceased.

**Calculating capital gains tax on assets acquired from a deceased estate**

If the beneficiary (or legal personal representative) of a deceased estate where the deceased died before 11.45am on 21 September 1999 disposes of a capital gains tax asset inherited after that time and date, there are two ways of calculating the capital gain. As stated previously, it is possible to use either the indexation method or the discount method, whichever gives the better result. The discount method is only available for an individual, a trust, or a complying superannuation entity.

As a general rule, elements of the cost base of an asset can be indexed if the asset was owned for at least 12 months before disposing of it. However, upon receiving an asset from a deceased estate, the 12-month period is calculated from the time the deceased acquired the asset, not from the date of their death. For the CGT discount to apply, a beneficiary must have acquired the asset at least 12 months
before disposing of it. For the purposes of this 12-month ownership test, the beneficiary is taken to have acquired the asset at one of the following times for:

- Pre-CGT assets, the date the deceased died, and
- Post-CGT assets, the date the deceased acquired it.

**Example –**

1. **Transfer of an asset from the executor to a beneficiary**

   C died on 13 October 2000 leaving two assets: a parcel of 2,000 shares in ABC Ltd and a vacant block of land. D was appointed executor of the estate (the legal personal representative).

   When the assets are transferred to D, any capital gain or capital loss is disregarded. D disposes of (sells) the shares to pay C's outstanding debts. As the shares are not transferred to a beneficiary, any capital gain or capital loss on this disposal must be included on the tax return for C's deceased estate.

   When all debts and tax have been paid, D transfers the land to C's beneficiary, E, and pays the conveyancing fee of $5,000. As the land is transferred to a beneficiary, any capital gain or capital loss is disregarded. The first element of E's cost base is taken as C's cost base on the date of her death. E is also entitled to include in his cost base the $5,000 D spent on the conveyancing.

2. **Indexation and CGT discount**

   F acquired a property on 14 November 1998 for $126,000. He died on 6 August 1999 and left the property to G. She sold the property on 6 July 2004 for $240,000. The property was not the main residence of either F or G. Although G acquired the property on 6 August 1999, for determining whether she had owned the property for at least 12 months, she was taken to have acquired it on 14 November 1998 (the day F acquired it).

   At the time of disposal, G is taken to have owned the property for more than 12 months. As she acquired it before 11.45am (by legal time in the ACT) on 21 September 1999 and disposed of it after that date, G could choose to index the cost base. However, if the discount method gave her a better result, she could choose to claim the CGT discount.

   If G chose the discount method, she would have to exclude from the first element of her cost base the amount that represented indexation that had accrued to F up until the time he died.
STEPS TO CALCULATING YOUR CAPITAL GAINS TAX

1. Determine your **capital proceeds** i.e. the money you received from the sale.

2. Determine your **cost base**. Your cost base includes:
   - the original purchase price
   - any costs associated with purchasing it
   - any costs associated with selling it (e.g. agents' commissions & legal fees)
   - any depreciation you have claimed on the asset

   Keeping track of the cost base can be done by maintaining records, which you are legally obliged to do, and using accounting software such as Myob AccountRight to keep track of your expenses associated with the asset.

3. **capital proceeds** - **cost base** = **gross capital gain**

4. Apply any discounts or indexation that may be available (e.g. the 50% CGT Discount or factor in the inflation indexation adjustment)

5. **gross capital gain** x **CGT discount** (if applicable) = **net capital gain**

6. Add your **net capital gain** to your taxable income, and determine how much you pay with a tax calculator.

There are three ways of calculating the capital gain or capital loss:

- **Indexation** (based on Consumer Price Index 1985-1999) which applies only to assets acquired before 11:45am on 21 September 1999 and allows you to apply the CPI (up to September 1999 only) to the cost base of the asset. Subtract the result from the capital proceeds to arrive at the capital gain. Use the method if the asset was held for 12 months or more and it produces a better result than the discount method.

- **Discount** capital gains by half after first deducting any capital losses. Use if shares or units were held for 12 months or more and it produces a better result than the indexation method

- **Other** method applies if the asset was not held for 12 months and the indexation and discount methods do not apply. Simply subtract the cost base from the capital proceeds.