

Tax Law summary (Lecture 6-12)

Section NO.	Content
Lecture 6	Capital Gain Tax (1)
20 Sept. 1985	Pre-CGT asset: Assets acquired prior to 20 September 1985 (ie. 19 September 1985 and before) are exempt from capital gains tax Post CGT asset: assets acquired on or after 20 September 1985 are subject to capital gains tax
Section 102-5	The net capital gain arising from the disposal of a CGT asset becomes statutory income and is included in the taxpayer's assessable income
Section 102-20	a capital gain or loss can only arise if a CGT event happens
Section 104-5	The twelve categories of CGT events
Section 104-10	CGT Event A1: Disposal of a CGT Asset occurs where a taxpayer disposes of a CGT asset
Section 104-10(2)	A disposal occurs where there has been a change in the legal and beneficial ownership of the asset
Section 104-10(3)	The disposal of an asset under CGT Event A1 occurs: (a) when you enter into the contract for the disposal of the asset (ie. the date of the contract); or (b) if there is no contract – when the physical change of ownership occurs (usually the date of settlement). Hence, for CGT purposes, a disposal of an asset is deemed to have occurred when the contract is signed, <u>not</u> when settlement (ie. the exchange of money and handover of the asset) takes place.
Section 104-20	CGT Event C1: Loss or Destruction of a CGT Asset happens if a CGT asset owned by a taxpayer is lost or destroyed Taxpayer is Insured-CGT Event C1 is deemed to occur when the taxpayer first receives compensation Taxpayer Not Insured CGT Event C1 is deemed to have occurred when the destruction occurred, or if that is not able to be ascertained, when the loss is first discovered
Section 104-20(3)	A taxpayer makes a capital gain from a CGT Event C1 if the capital proceeds from the loss or destruction of the asset is more than its cost base.
Section 8.0	If the capital proceeds are less than the cost base (or reduced cost base) of the asset, a capital loss is made
Section 108-5(1)	any kind of property and extends to include legal or equitable rights that are not property
Section 108-5(2)	extends the meaning of a CGT asset to include: (a) part of, or an interest in, a CGT asset covered by Section 108-5(1); (b) goodwill or an interest in goodwill; (c) an interest in an asset of a partnership; and (d) An interest in a partnership not covered by paragraph (c).
Section 108-5(2)	Examples of CGT assets: <ul style="list-style-type: none"> • land; • buildings; • shares in a company • units in a unit trust; • rights and options; • leases; • goodwill; • debts owed to a taxpayer; • foreign currency Note that cash (expressed in Australian dollars) is not a CGT asset.
Section 118-24	Since 21 September 1999, a capital gain or loss arising from a CGT event in relation to a depreciating asset is disregarded
Division 40	A building is regarded as a depreciable asset for accounting purposes, a building is not regarded as a depreciable asset
List of common CGT Exemptions (5)	
Sec. 118-5(a)	a car, motorcycle or similar vehicle designed to carry less than one tonne or fewer than