CGT & ECPI – 3 YEARS ON

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Melanie is well renown in the SMSF sector as one of the leading female presenters. She heads up Accurium's Technical Services team and is a Fellow of the Institute of Actuaries of Australia (FIAA), specialising in Global Retirement Income Systems. She is also an SMSF Specialist Advisor with over ten years' experience in SMSFs and retirement. Melanie is a member of the SMSF Association regulatory committee and Actuaries Institute retirement income consultation group. She also provides training and education services to several leading SMSF practitioners across Australia, specialising in complex issues including retirement modelling, pensions and segregation strategies.

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It's been a busy 3 years...

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Agenda

CGT & ECPI – 3 years on

- Refresh on the CGT relief rules
- How to claim exempt current pension income (ECPI) when an asset is sold
- What happens when assets are sold at a loss
- Issues arising from the CGT relief
- Strategies to maximise EPCI for assets which utilised the CGT relief

Refresh on CGT relief rules

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What was the CGT Relief?

CGT relief rules

- One-off opportunity in 2016-17 to lock in tax treatment of capital gains/losses on assets impacted by super reforms.
- If an election was made to apply the relief in the 2016-17 annual return the decision is irrevocable
  - Trustees had a choice, they did not have to apply the relief even if eligible
  - Election to reset the cost base of an asset was made on a per asset basis
  - Asset deemed to have been disposed of in 2016-17 year
  - Must wait 12 months from date CGT relief applied to be eligible for CGT discount upon sale of asset
- Two methods for applying CGT relief:
  - Segregated method where asset solely supporting pension at 9 Nov 16 and ceased to solely support pension prior to 1 July 2017
  - Unsegregated method where asset did not solely support pension from 9 Nov 16 to 30 Jun 17

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CGT relief documentation required

CGT relief rules

- Trustees will have documented which assets (if any) applied the CGT relief in 2016-17
- For each asset the Trustee will have recorded:
  - The date at which the CGT relief was applied
  - If using the unsegregated method whether gain was deferred and if so the deferred gain (assessable amount)
  - The new cost base equal to the market value at the date of CGT relief
- Any total deferred gain will have been reported to the ATO via the annual return
  - Trustees were responsible for documenting the deferred gain per asset - the ATO will not have this information

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Family Windsor

Claiming the CGT relief

- Windsor family invest in similar things and each household's SMSF has the following key assets which have been held for a number of years
- Assets and their value just prior to 30 June 2017:

Asset	Cost base	Market value
Investment property	$950,000	$1,500,000
Royal Doulton shares	$90,000	$100,000
Corgi Fashion shares	$80,000	$150,000
Horse and Cart shares	$60,000	$50,000
Gold	$300,000	$500,000

- Philip and Elizabeth are members of "Crown SMSF"
- Charles and Camilla are members of "Chill SMSF"
- Anne and Tim are the members of "AT Retirement SMSF"

Not eligible

AT Retirement SMSF

At 30 June 2017:
- Anne aged 67 was retired — $1,450,000 in an account-based pension
- Tim aged 62 still working — $960,000 in accumulation
- $2.3m in key assets and $110,000 in cash and term deposits

- AT Retirement SMSF was not eligible for CGT relief as the fund was not impacted by the TBC or TRIS superannuation reforms

- Actuarial exempt income proportion for 2016-17 of 63% and income of $88,000
- No other capital gains or losses in the year
- ECPI = 63% x 88,000 = $55,440   Taxable income = $32,560

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Eligible - unsegregated method

Chill SMSF

At 30 June 2017:
- Charles aged 65 was semi-retired — $1.9m in a TRIS and $200,000 in accumulation
- Camilla aged 60 was retired — $1.7m in an account-based pension
- $2.3m in key assets and $1.5m in cash and term deposits

- Both were impacted by the TBC => $300,000 and $100,000 commuted 30 June 2017
- All assets were eligible for CGT relief at 30 June 2017 using unsegregated method

- Actuarial exempt income proportion for the year of 96% and income of $130,000
- Applied CGT relief on assets with a gain
- Decide not to apply to assets in a loss as don't want to lock in a lower cost base, potentially increasing a future capital gain realised with a lower future exempt income proportion

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Eligible - unsegregated method

Chill SMSF

- Decide to recognise gains on shares in 2016-17 return and defer gains on property and gold
- No assets were sold in 2016-17 and were no carried forward losses

- Net capital gain for 2016-17 annual return of $53,333
  - $80,000 gains from deemed sale and purchase of shares less 33.33% since assets held longer than 12 months

- ECPI = 96% x (53,333 + 130,000) = $176,000   Taxable income = $7,333

- Deferred gains
  - Investment property: 550,000 less 33.33% = 366,667 x (1 – 0.96) = $14,667
  - Gold: 200,000 less 33.33% = 133,333 x (1 – 0.96) = $5,333
  - Total deferred gain reported in 2016-17 CGT schedule = $20,000
  - Locked in 2016-17 ECPI and amount is carried forward to be recognised as taxable income in year asset is sold

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Eligible - unsegregated method

Chill SMSF

- Assets at 1 July 2017:

Asset	Applied CGT relief	Date of CGT relief	Cost base	Deferred gain
Investment property	Yes	30 June 2017	$1,500,000	$14,667
Royal Doulton shares	Yes	30 June 2017	$100,000	$0
Corgi Fashion shares	Yes	30 June 2017	$150,000	$0
Horse and Cart shares	No	n/a	$60,000	n/a
Gold	Yes	30 June 2017	$500,000	$5,333

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Eligible - segregated method

Crown SMSF

At 30 June 2017:

- Elizabeth aged 86 was retired $2.5m in an account-based pension
- Philip aged 90 was retired $2.0m in an account-based pension
- $2.3m in key assets, $2m in a second investment property (cost base of $1.2m), $200,000 in cash

- Both impacted by the TBC => $900,000 and $400,000 commuted 30 June 2017
- All assets eligible to apply CGT relief at 30 June 2017 - date assets ceased to be segregated

- Applied CGT relief to all fund assets with a gain, didn't apply to the loss
- Must recognise deemed gains in 2016-17
- $1,630,000 in gains from deemed sale and purchase of assets are 100% exempt and disregarded

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Eligible - segregated method

Crown SMSF

- Assets at 1 July 2017:

Asset	Applied CGT relief	Date of CGT relief	Cost base	Deferred gain
Investment property #1	Yes	30 June 2017	$1,500,000	$0
Royal Doulton shares	Yes	30 June 2017	$90,000	$0
Corgi Fashion shares	Yes	30 June 2017	$80,000	$0
Horse and Cart shares	No	n/a	$60,000	n/a
Gold	Yes	30 June 2017	$500,000	$0
Investment property #2	Yes	30 June 2017	$2,000,000	$0

$1.63m in gains locked in as 100% exempt from tax

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How to claim ECPI on sale of a CGT relief asset

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CGT event post 1 July 2017

Checklist

1. Was asset held prior to 1 July 2017? ... if YES consider impact of CGT Relief
2. Look at records to identify if CGT relief was utilised
   - Confirm the cost base - this should reflect the market value at date CGT relief applied
   - If date of event is less than 12 months from date CGT relief applied then asset not eligible for CGT discount
3. Identify if asset has a deferred gain
   - Only funds which utilised the unsegregated CGT relief method can have a deferred gain
   - A total deferred gain will have been reported to the ATO in the 2016-17 CGT schedule
   - Deferred gain will be reported in the CGT schedule in year of CGT event:

4. Deal with any deferred gain
   - Is taxable income and actuarial exempt proportion will not apply
   - If have capital losses consider applying first to deferred gain then to other gains subject to indexing or discounting

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How to claim ECPI

Method to use

1. Did the fund have disregarded small fund assets?
   - Yes = must use unsegregated method for ECPI
   - No = eligible to use the segregated method

   An SMSF will have disregarded small fund assets if
   - any SMSF member had TSB > $1.6 just prior to start of the income year

   AND
   - that member had a retirement phase interest anywhere in super
2. If No take account of deemed segregation
   - If have periods solely in retirement phase, and other periods with a non-retirement phase interest use BOTH methods for ECPI
   - If always have a non-retirement phase interest only use the unsegregated method
   - If solely in retirement phase will be deemed as segregated and use the segregated method

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Windsor family assets

Selling an asset post 1 July 2017

Elizabeth and Philip:

- sold their large investment property for $2,100,000 on 20 Jan 2020 and withdrew a lump sum of $2,000,000 from accumulation in order to give $1,000,000 each to Harry and William

Charles and Camilla:

- identified an opportunity to buy shares in an innovative business and sold their Corgi Fashion shares and then their Horse and Cart shares on 15 Nov 2018, using the proceeds to buy Farm Faster shares
- want to buy a shack in Vancouver so they can visit Archie - they sold the SMSF's investment property on 2 Feb 2020 for $1,625,000 and took a lump sum payment of $750,000 each out of the SMSF.

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Sale of large investment property

Crown SMSF

- Investment property sold on 20 January 2020 for $2,100,000

1. Was the property held by the fund prior to 1 July 2017?
2. Confirm whether CGT relief was applied
3. What is the cost base?
4. Is the property eligible for the 33% CGT discount?
5. Is there a deferred gain to recognise?
6. What is the capital gain?

Eligible for CGT discount

Asset	Applied CGT relief	Date of CGT relief	Cost base	Deferred gain	Realised gain at 20 Jan 2020
Investment property #2	Yes	30 June 2017	$2,000,000	$0	$100,000

Sale of large investment property

Crown SMSF ECPI calculation in 2019-20

- Capital gain recognised in year of $100,000, no carried forward capital losses
- Other income of $125,000
- Fund has disregarded small fund assets and is using the proportionate method for ECPI
- Actuarial exempt income proportion 71%

- Net capital gain = 100,000 gain – 33,333 discount = $66,667
- ECPI = (125,000 + 66,667) x 0.71 = $136,084

- Taxable income in 2019-20 = (125,000 + 66,667) x (1 – 0.71) = $55,583

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Crown SMSF 2019-20 SMSF annual return

10 Exempt current pension income

Did the fund pay retirement phase superannuation income stream benefits to one or more members in the income year?

To claim a tax exemption for current pension income, you must pay at least the minimum benefit payment under the law. Record exempt current pension income at Label **A**.

No [ ] Go to Section B: Income.

Yes [x] Exempt current pension income amount **A** $ 136,084.~~00~~

Which method did you use to calculate your exempt current pension income?

Segregated assets method **B** [ ]

Unsegregated assets method **C** [x] Was an actuarial certificate obtained? **D** Yes [x]

Did the fund have any other income that was assessable?

E Yes [x] Go to Section B: Income.

No [ ] Choosing 'No' means that you do not have any assessable income, including no-TFN quoted contributions. Go to Section C: Deductions and non-deductible expenses. (Do **not** complete Section B: Income.)

If you are entitled to claim any tax offsets, you can list these at Section D: Income tax calculation statement.

Sale of large investment property

Crown SMSF ECPI benefit using CGT relief

- Total gain from original cost base of $1.2m was $900,000
- With Crown SMSF utilising the CGT relief in 2016-17 only $19,333 of the overall gain was taxed
  - $800,000 gain recognised in 2016-17 locked in under CGT relief as tax free
  - $100,000 gain recognised in 2019-20 had CGT discount apply and net gain was 71% exempt
  - Of the $900,000 gain $880,667 was tax free
- If had not applied CGT relief to this asset $174,000 would have been taxed
  - Net capital gain in 2019-20 = 900,000 – 300,000 = 600,000
  - ECPI = 600,000 x 0.71 = 426,000 => total amount of gain exempt = 300,000 + 426,000 = 726,000
  - Of the $900,000 gain $726,000 was tax free
- An extra $154,667 in tax free gains achieved using the CGT relief

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Sale of shares

Chill SMSF 2018-19

- 15 Nov 2018 sold Corgi Fashion $125,000 and Horse and Cart for $65,000

1. Were the shares held by the fund prior to 1 July 2017?
2. Confirm whether CGT relief was applied
3. What is the cost base?
4. Are the assets eligible for the 33% CGT discount?
5. Is there a deferred gain to recognise?
6. What is the capital gain?

Eligible for CGT discount

Asset	Applied CGT relief	Date of CGT relief	Cost base	Deferred gain	Realised gain at 15 Nov 18
Corgi Fashion shares	Yes	30 June 2017	$150,000	$0	-$25,000
Horse and Cart shares	No	n/a	$60,000	n/a	$5,000

Sale of shares

Chill SMSF ECPI calculation in 2018-19

- Capital loss of $25,000 recognised in year and capital gain of $5,000, no carried forward losses
- Other income of $95,000

- Fund has disregarded small fund assets and is using the proportionate method for ECPI
- Actuarial exempt income proportion 83%

- Net capital loss = 25,000 loss – 5,000 gain= $20,000
- Capital loss of $20,000 carried forward and net capital gain in the annual return is $0
- ECPI = (95,000 + 0) x 0.83 = $78,850
- Taxable income = (95,000 + 0) x (1-0.83) = $16,150

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Sale of shares

Chill SMSF ECPI calculation in 2018-19

- Total gains from original cost base of $140,000 was $50,000
  - Original cost base of $80,000 for Corgi Fashion and $60,000 for Horse and Cart
  - Horse and Cart did not apply CGT relief in 2016-17
  - Corgi Fashion did apply CGT relief locking in CGT discount and 96% exempt income on $70,000 gain

- With Chill SMSF utilising the CGT relief in 2016-17 only $1,867 of the total gain was taxed
  - In 2018-19 there was a net capital loss so the only taxed capital gains were those from 2016-17
  - Of the overall $50,000 gain $48,133 was tax free

- If had not applied the CGT relief $4,667 would have been taxed
  - Net capital gain in 2018-19 = 50,000 – 16,667 = 33,333
  - ECPI = 33,333 x 0.83 = 28,667 => total amount of gain exempt = 28,667 + 16,667 = 45,333
  - Of the $50,000 gain $45,333 was tax free

- An extra $2,800 in tax free gains was achieved using the CGT relief

Eligible - unsegregated method

Chill SMSF

- Assets at 1 July 2019:

Asset	Unrealised gain at 1 July 2019	Applied CGT relief	Date of CGT relief / purchase	Cost base	Deferred gain
Investment property	$120,000	Yes	30 June 2017	$1,500,000	$14,667
Royal Doulton shares	$10,000	Yes	30 June 2017	$100,000	$0
Gold	$25,000	Yes	30 June 2017	$500,000	$5,333
Farm Faster shares	$2,500	No	15 Nov 2018	$190,000	n/a

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Sale of large investment property

Chill SMSF 2019-20

- Sold the SMSF's investment property on 2 Feb 2020 for $1,625,000

1. Was the property held by the fund prior to 1 July 2017?
2. Confirm whether CGT relief was applied
3. What is the cost base?
4. Is the asset eligible for the 33% CGT discount?
5. Is there a deferred gain to recognise?
6. What is the capital gain?

Eligible for CGT discount

Asset	Applied CGT relief	Date of CGT relief	Cost base	Deferred gain	Realised gain at 2 Feb 2020
Investment property	Yes	30 June 2017	$1,500,000	$14,667	$125,000

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Sale of property

Chill SMSF ECPI calculation in 2019-20

- Capital gain recognised in year of $125,000
  - The asset realised has a CGT relief deferred capital gain of $14,667
- Other income of $80,000 and $20,000 carried forward capital losses
- Fund has disregarded small fund assets and is using the proportionate method for ECPI
- Actuarial exempt income proportion 91%

- Net capital gain = 125,000 gain + 14,667 deferred gain – 20,000 carried forward losses
- Allow for 33% CGT discount => 119,667 – 39,889 discount = $79,778
- Of the $79,778 net capital gain $14,667 has already allowed for exempt income

Applied losses to deferred gain then property gain to maximise discount

- ECPI in 2019-20 = (80,000 + (79,778 **– 14,667**)) x 0.91 = 145,111 x 0.91 = $132,051
- Taxable income = 14,667 deferred gain + 145,111 x (1 – 0.91) = $27,727

Sale of property

Chill SMSF ECPI calculation in 2019-20

- Total gains from original cost base of $950,000 is $675,000

- With Chill SMSF applying the CGT relief only $20,527 of the overall gain was taxed
  - $550,000 gain recognised in 2016-17 locked in with CGT discount applied and 96% tax free
  - $125,000 gain recognised in 2019-20 had CGT discount apply and net gain was 71% exempt
  - Of the $950,000 gain $654,473 was tax free

- If had not applied the CGT relief to this asset $39,300 would have been taxed
  - Net capital gain = 675,000 gain – 20,000 carried forward losses - 218,333 CGT discount = 436,667
  - ECPI = 436,667 x 0.91 = 397,367 => total amount of gain exempt = 397,637 + 238,333 = 635,700
  - Of the $950,000 gain $635,700 was tax free

- An extra $18,773 in tax free gains achieved using the CGT relief

Issues with CGT relief assets

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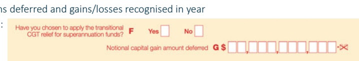
I can't find the documentation from 2017…

Issues with CGT relief

- Check the tax return and CGT schedule from 2016-17 to see if CGT relief was applied
  - Tax return will have 'Yes' at label 11G 'Did you have a capital gains tax (CGT) event during the year'
  - CGT schedule will identify **total** gains deferred and gains/losses recognised in year
  - Section 8 of 2016-17 CGT schedule:



Have you chosen to apply the transitional CGT relief for superannuation funds? F Yes No

Notional capital gain amount deferred G $, , , .00

- If claimed ECPI using unsegregated method then CGT relief would have occurred on 30 June 2017
  - Market value of asset at 30 June 2017 would be basis for the new cost base
  - If looks like gain was deferred use 2016-17 actuarial exempt proportion to work out deferred gain on the asset
- If had segregated asset determine date ceased to be segregated (any date 9 Nov 16 - 30 June 17)
  - Market value at the date ceased to be segregated would be cost base

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I've discovered the CGT relief claimed was wrong…

Issues with CGT relief

- If fund elected to claim CGT relief, but it is identified that they were not eligible to do so
  - May need to amend 2016-17 return
  - Although election for CGT relief is irrevocable, if were not entitled to make election ATO likely to allow amendment
- If fund was eligible to claim CGT relief but did so using the wrong amount
  - If used the wrong CGT relief method e.g. unsegregated when should have used segregated, then may need to amend tax return to correct the amount recognised/deferred
  - If used the wrong CGT relief date may need to adjust the cost base to reflect the correct market value
- Generally assume CGT relief was reviewed by accountant/auditor as part of the 2016-17 tax return and if have documentation of the assets which applied CGT relief risk of error is low
  - The rules were complicated and risk may be higher for trustees who completed the tax return without professional advice or assistance

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Devil is in the details…

Issues with CGT relief

- Capital gains incurred as a result of a scrip for scrip rollover
  - Capital gain is disregarded and replacement shares taken to be acquired at cost base of original interest
  - If the asset has a deferred CGT relief gain that is recognised in the annual return in the relevant year
- Rollover of CGT asset to another SMSF due to relationship breakdown
  - SMSF disregards the capital gain or loss that would otherwise arise and cost base of asset transferred to new fund
  - If the asset has a deferred CGT relief gain that is recognised in the annual return in the relevant year
- Check software defaults around sale of assets
  - Some SMSF administration platforms allow you to preselect options for sale of assets so that assets are chosen to maximise or minimise profit e.g. parcels of shares
  - Many funds which applied the CGT relief locked in tax free gains on assets up to 1 July 2017 and will now have less exempt income due to accumulation assets => a selection of 'highest profit' may have been appropriate pre 1 July 2017 when fully in retirement phase, but may no longer be optimal

Maximising ECPI on sale of assets

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Funds with disregarded small fund assets

Maximising ECPI

- Funds which applied the CGT relief due to the TBC will likely have disregarded small fund assets
- Must use the proportionate method to claim ECPI on all assets
  - Net capital gains will have the actuarial exempt proportion apply
  - Net capital losses carried forwards
  - Timing of capital gains during a financial year does not impact ECPI
- Maximise ECPI on a gain by maximising average pension liabilities over a year
  - Make pension payments and lump sum withdrawals from pension as late in year as possible
  - Start pensions as early in the year as possible
  - Take lump sum withdrawals from accumulation as early in the year as possible
  - If desire payments in excess of minimum pensions consider taking lump sums from accumulation
- Transactions which are 'material' in size relative to size of fund will have biggest impact on ECPI

Funds without disregarded small fund assets

Maximising ECPI

- Fund claimed CGT relief due to TRIS or member balances have subsequently reduced under $1.6m
- ECPI will depend on whether fund solely in retirement phase or has periods with accumulation
  - Net capital gains and losses incurred when fund solely in retirement phase (deemed segregated) are disregarded
  - Net capital gains incurred when fund has an accumulation interest will have the actuarial proportion apply
  - Net capital losses incurred when fund has an accumulation interest will be carried forward
  - Timing of capital gain or loss can impact ECPI
- To maximise ECPI think strategically about timing of capital gains
  - If sell 'gain' asset when fund solely in retirement phase gain is 100% exempt
  - If sell 'loss' asset when fund has an accumulation interest loss is carried forward
- 2019 Budget proposed to remove 'deemed segregation' from 2020-21
  - Funds would default to the proportionate method
  - Could elect to implement a segregated pension asset strategy for future capital gains (subject to Part IVA)

Case study – maximise ECPI

Chill SMSF selling their investment property

At 1 July 2019:

- Charles aged 67 was semi-retired $1.4m in a TRIS and $500,000 in accumulation
- Camilla aged 62 was retired $1.4m in an ABP and $100,000 in accumulation
- $2.4m in key assets and $1m in cash and term deposits

- Fund has disregarded small fund assets in 2019-20 and must use proportionate method for ECPI
- Looking to sell investment property valued at $1,625,000 at 2 Feb 2020
- Want to withdraw $1.5m from the SMSF to buy a shack in Vancouver

- Fund has significant assets in accumulation phase -> part of capital gains will be taxable

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Case study – maximise ECPI

Chill SMSF selling their investment property

- Minimise accumulation balance to maximise ECPI

- Defer capital gain until 2020-21
  - Withdraw entire $600,000 accumulation balance by 30 June 2020 from cash available in SMSF
  - No capital gain in 2019-20, continue to carry forward capital loss
  - In 2020-21 fund solely in retirement phase – sell property and capital gain would be disregarded as 100% exempt, withdraw remaining $900,000 required from the SMSF, continue to carry forward capital loss

- If did not have disregarded small fund assets in 2019-20 could sell this year with same outcome…
  - Withdraw $600,000 from accumulation in February *prior* to selling the property
  - With no accumulation balance the fund would be deemed as segregated from that time
  - Sell asset in deemed segregated period so gain disregarded as 100% exempt, capital losses still carried forward

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If Chill SMSF sold property in 2020-21

ECPI calculation in 2020-21

- Chill SMSF withdrew accumulation balance in 2019-20 and realised capital gain in 2020-21
  - At 1 July 2020 both members have balances under $1.6m = fund does NOT have disregarded small fund assets
  - Capital gain recognised of $125,000, other income of $70,000, and $20,000 carried forward capital losses
  - Fund is *solely in retirement phase* and uses segregated method for ECPI
- Capital gains tax:
  - $125,000 capital gain disregarded = 100% exempt
  - The deferred gain has already had ECPI apply and *so is assessable income and not disregarded*
  - $14,667 deferred gain must be recognised and a CGT schedule completed
  - Net capital loss = 20,000 loss - 14,667 gain = 5,333 loss to carry forward
- ECPI = $70,000 Taxable income = $0 Carried forward capital loss = $5,333
- Applying this strategy there is no taxable income for Charles and Camilla on the property sale
  - Note: if did not have carried forward loss then deferred gain of $14,667 would be taxable income
- Previously with property sold in 2019-20 there was $20,527 taxable income

Conclusion

- **Thinking of selling SMSF assets?... Review CGT relief**
- **Keep an eye out for deferred capital gains**
- **Plan ahead to maximise ECPI when selling fund assets**

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APPENDIX

Useful information on CGT relief rules from 30 June 2017 you might like to review…

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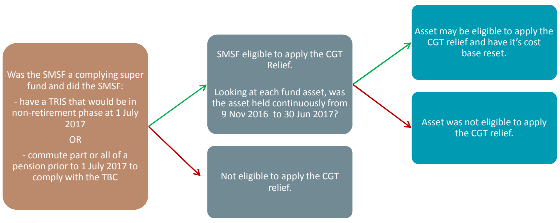
Were SMSF assets eligible?

CGT relief rules



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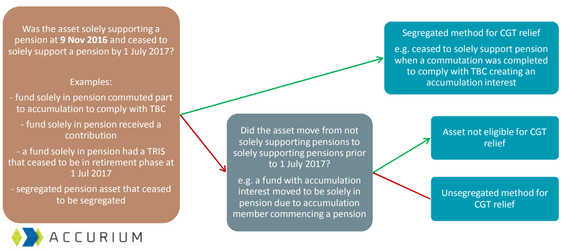
Which CGT Relief method to use?

CGT relief rules



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Segregated CGT relief method

Electing to apply the CGT relief

- If elect to apply the CGT relief work out relevant date and disregard gain or loss
- Date asset was no longer solely supporting pension = date deemed to have sold and repurchased
  - Reset cost base to market value of asset at that date
  - This is the date asset ceased to be a segregated pension asset
- Capital gain or loss on the asset disregarded
  - Not eligible to be deferred, and was recognised in 2016-17 year
  - Lock in 100% exemption from income tax
- Typically saw funds apply CGT relief on assets with capital gain but *not* on those with a capital loss
  - Likely to have an accumulation interest post 1 July 2017 = income would no longer be tax free
  - If realise loss in a future year with an accumulation balance loss could be carried forward

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Unsegregated CGT Relief method

CGT relief rules

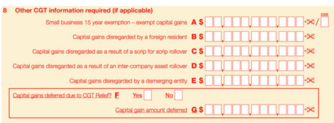
- CGT Relief applied at 30 June 2017 on a per asset basis
  - Reset cost base to market value of asset at 30 Jun 2017
  - A loss must have been recognised in 2016-17 annual return
  - A gain could have been recognised in annual return **or** deferred until the asset is sold
  - 2016-17 exempt income proportion applies
- CGT relief gains and losses recognised in 2016-17
  - CGT discount applied if asset held prior to 30 June 2016
  - Included in net capital gain calculations alongside other gains or losses, and carried forward losses
- Might not have utilised CGT relief if expected exempt income proportion to increase
  - E.g. members not fully retired in 2016-17 but expected to be solely in retirement phase in a few years after which plan to sell assets

ACCURIUM

Unsegregated CGT Relief deferred gain

CGT relief rules

- To defer a gain:
  1. Capital gain determined on the deemed disposal - current year or carried forward losses were not applied
  2. If asset was acquired prior to 30 June 2016 CGT discount was applied
  3. Actuarial exempt proportion for the 2016-17 year was applied to work out assessable part of the gain
  4. The assessable amount was the deferred gain
- Total of deferred gains was reported in the CGT schedule:



8 Other CGT information required (if applicable)

Small business 15 year exemption – exempt capital gains **A** $, , , .00 / CODE

Capital gains disregarded by a foreign resident **B** $, , , .00

Capital gains disregarded as a result of a scrip for scrip rollover **C** $, , , .00

Capital gains disregarded as a result of an inter-company asset rollover **D** $, , , .00

Capital gains disregarded by a demerging entity **E** $, , , .00

Capital gains deferred due to CGT Relief? **F** Yes No

Capital gain amount deferred **G** $, , , .00

ACCURIUM

CGT relief outcomes

Summary

Tax outcome per asset	Did not apply CGT relief	Applied CGT relief using segregated method	Applied CGT relief Unsegregated method – gain/loss realised 2016-17	Applied CGT relief Unsegregated method – deferred gain
Date of CGT relief	n/a	Date asset ceased to solely support pensions	30 June 2017	30 June 2017
Cost base at 1 July 2017	Original pre 9 Nov 2016 cost base	Market value at date asset ceased to be segregated	Market value at 30 June 2017	Market value at 30 June 2017
Amount of deemed capital gain/loss	None	Market value – original cost base	Market value – original cost base	Market value – original cost base
Recognising the deemed gain/loss	n/a	In 2016-17 gain or loss is disregarded	In 2016-17 net capital gain has exempt income proportion apply, net loss carried forward	In future year when asset is realised. Deferred gain is the taxable part of the gain based on 2016-17 exempt income proportion.