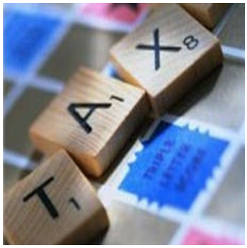
# CAPITAL GAINS TAX




## What is Capital Gains Tax?

This is the tax on the profit from the disposal (usually the sale) of an asset acquired after the 20th September 1985, where the profit did not come from day to day business transactions. Assets that are affected by Capital Gains Tax (CGT) include land and buildings, shares in a company, units in a unit trust, and options.

## Exemptions

Exemptions are used to disregard a gain or loss and/or prevent double taxation. Exempt items include most motor vehicles, motorcycles, your main residence, collectable items where the cost is less than $500, personal assets where the cost is less than $10,000, and assets used solely to produce income exempt from tax.

## Discounts

Discounts are used to reduce the capital gain that is subject to tax. For the general discount to apply, an asset must be held for more than 12 months, excluding the date of purchase and the date of sale. Small Business entities, Individuals and complying superannuation funds are entitled to discounts on CGT.

## Relevant Dates

The dates used for purchase and sale are the dates you enter into a contract where you have a legal obligation to proceed with the purchase or sale. This is usually the date of the exchange of contracts (in the case of a property sale).

## What is the Cost Base?

The cost base is the original cost of the asset. It is made up of several components including the original purchase price, incidental costs (e.g. stamp duty, valuation, and advertising) and costs of ownership (e.g. interest on borrowings, insurance, repairs and maintenance). Costs of ownership can only be added to the cost base where no deductions have been claimed already during the term of ownership.

## Tax on Capital Gain

Tax on your net capital gain is calculated at your marginal rate, so will depend on the level of other income for that year.