CAPITAL GAIN/LOSS & TAX LOSS



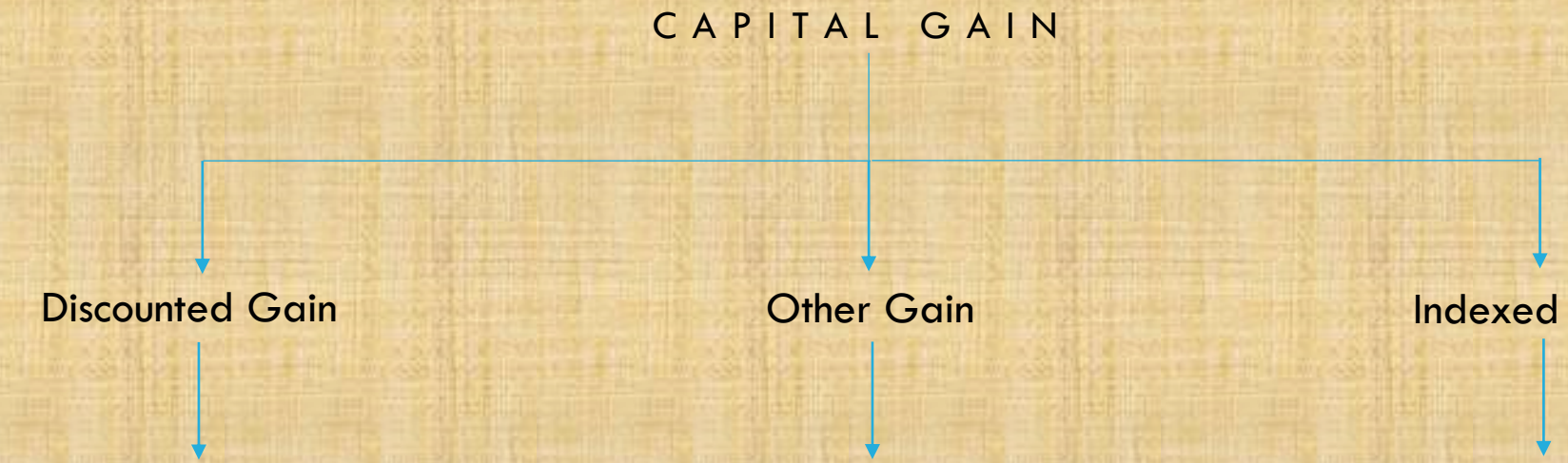


CAPITAL GAIN

What is Capital Gain?

When you sell certain types of investment assets – including real estate, shares or other investments like cryptocurrency – for a profit, the difference between what you paid for the asset originally and what you're selling it for is known as a capital gain, and you may have to pay tax on it, according to the ATO.

TYPES OF CAPITAL GAIN



This method to calculate your capital gains tax liability if you've held your property or shares for more than 12 months and qualify for the 1/3rd discount.

This method is typically used to calculate your capital gain where you've bought and sold an asset within 12 months.

If you acquired your assets before 21 September 1999, and have held it for at least 12 months.

DISCOUNTED GAIN

Example: ABC Superannuation Fund sold a parcel of 1000 shares in March 2020 for $25,000, that is, for $25 each. The SF had acquired the shares in March 2005 for $15,000, that is, for $15 each.



Capital Proceeds	- $25,000
Less: Acquisition Cost	- $15,000
Capital Gain	- $10,000

Taxable Gain (2/3rd) = $6,666.67

OTHER GAIN

Example: ABC Superannuation Fund sold a parcel of 1000 shares in March 2020 for $25,000, that is, for $25 each. The SF had acquired the shares in June 2019 for $15,000, that is, for $15 each.

Capital Proceeds	- $25,000
Less: Acquisition Cost	- $15,000
Capital Gain	- $10,000
Taxable Gain	= $10,000



INDEXED GAIN

Example 1: ABC Superannuation Fund sold a parcel of 1000 shares in March 2020 for $25,000, that is, for $25 each. The SF had acquired the shares in March 1995 for $15,000, that is, for $15 each.

Capital Proceeds	- $25,000
Less:	
Cost Base (Acquisition Cost *	
Indexation Factor)	- $16,155
Capital Gain	- $ 8,845

How to calculate indexation Factor

A ÷ B = C

A is the CPI for quarter ending 30 September 1999

B is the CPI for quarter in which cost was incurred

C is the indexation factor

Indexation Factor is 68.7 ÷ 63.8 = 1.077

Cost Base = $15,000 * 1.077 = $16,155

INDEXED GAIN CONT...

Example 2: ABC SF bought a property for $150,000 under a contract dated 24 June 1991. The contract provided for the payment of a deposit of $15,000 on that date, with the balance of $135,000 to be paid on settlement on 5 August 1991.

Stamp duty of $5,000 on 20 July 1991 and solicitor's fees of $2,000 on 5 August 1991 which has paid as part of the settlement process.

Sold the property on 15 October 2019 (the day the contracts were exchanged) for $350,000 and incurred costs of $1,500 in solicitor's fees and $4,000 in agent's commission.

Capital gain calculated using the indexation method

Purchase Price * Indexation Factor	- $174,600
($150,000 * 1.164)	
Stamp Duty & Solicitor's fees	- $ 8,113
($7,000 * 1.159)	
Solicitor’s Fee & Agent Commission	- $ 5,500
(Indexation doesn’t apply)	
Total Cost Base	- $188,213
Capital Proceeds	- $350,000
Capital Gain	**- $161,787**

WHO PAYS CAPITAL GAINS TAX?

Generally, once a CGT event occurs (i.e. when you sell your property & Shares), the seller is liable to pay capital gains tax on the profit generated from that sale.

You may also be liable to pay CGT if you're selling any of the following:

- Shares in a company
- Units in a trust
- Managed investment fund
- Residential & Commercial Property
- Term Deposit & Fixed interest securities
- Cryptocurrency



CAPITAL GAINS TAX RULE

Accumulation Phase

If the fund is 100% accumulation, the SF needs to pay tax for the 15% of taxable gain.

Pension Phase

If the fund is 100% pension, the SF no needs to pay any tax for the capital gain.

Accumulation & Pension Phase

If the fund has both the accumulation & pension account, the SF needs to pay for the 15% tax for the taxable capital gain after deducting the ECPI (Exempt current pension income) based on the actuary percentage.



SALE ALLOCATION METHOD

- **First In, First Out (FIFO)** – Sell your longest held shares first.
- **Last In, First Out (LIFO)** – Sell your most recently purchased shares first.
- **Minimise Gain** – Sell shares with the highest purchase price first.
- **Maximise Gain** – Sell shares with the lowest purchase price first.



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CAPITAL LOSS

What is Capital Loss?

A capital loss is the loss you make when you sell an asset for less than you paid for it.

CAPITAL LOSS CONT…

A capital loss (for example, losses on the sale of shares) is not an allowable deduction and is only able to be offset against capital gains. If capital losses are greater than capital gains in a financial year, they must be carried forward to be offset against future capital gains.

A taxpayer may choose to apply capital losses against capital gains in following order:

- Capital Loss – Other Gain
- Capital Loss – Discounted Gain

A fund fully in pension phase by default has segregated current pension assets and cannot carry forward losses.

TAX LOSS

What is Tax Loss?

In general, a tax loss occurs when the total deductions the SMSF can claim for an income year exceed the total of the fund's total assessable income (gross assessable income net of exempt current pension income) for that year.

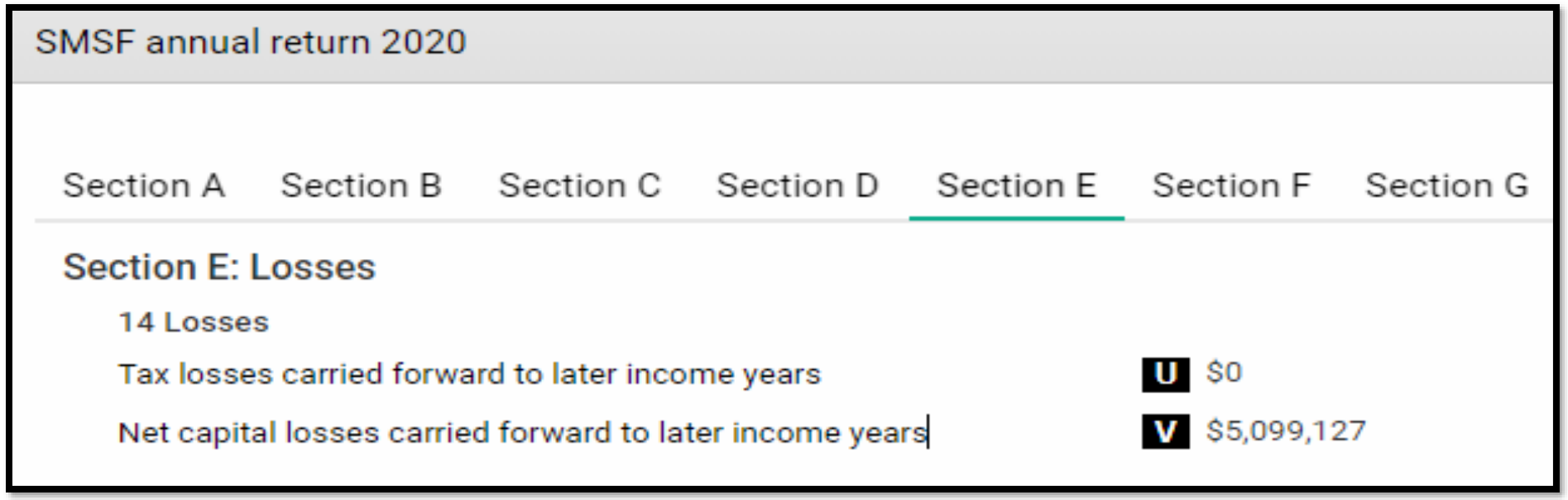
It is important to note the distinction between a tax loss and a capital loss. A capital loss can only be offset against any capital gains in the same income year or carried forward to be offset against future capital gains – it cannot be offset against income.

In tax loss fund, no need to apply actuary certificate.

TAX RETURN

Section E: Losses

Section E deals with tax and capital losses. You do not need to complete section E if the SMSF has no tax losses or capital losses to carry forward to later income years.




THANK
YOU