


TD 98/24ER - Notice of Erratum - Income tax: capital gains: what are the CGT consequences of a CGT event happening to post-CGT real property if the property comprises separate CGT assets under Subdivision 108-D in Part 3-1 of the Income Tax Assessment Act 1997 (the 1997 Act) or if the property is sold with depreciable assets?

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Erratum

Income tax: capital gains: what are the CGT consequences of a CGT event happening to post-CGT real property if the property comprises separate CGT assets under Subdivision 108-D in Part 3-1 of the *Income Tax Assessment Act 1997* (the 1997 Act) or if the property is sold with depreciable assets?

At Paragraph 12

Omit paragraph 12 and insert new paragraph 12 as below:

'12. *Correctly treating the plant as a separate asset from the land and building in accordance with the CGT provisions results in a net capital gain of \$92,840 being:*

<i>Land and building</i>	<i>Sale price - Cost base as indexed</i>	
	$\$190,000 - (\$70,000 \times [\textit{say}] 1.388)$	$= \$92,840$
<i>Plant</i>	<i>Reduced cost base - Sale price</i>	
	$(\$25,000 - \$15,000) - \$10,000$	$= 0$
	<i>Net capital gain</i>	$= \$92,840'$

Note 1: The calculation of the reduced cost base of the plant in Example 1 (paragraph 12) in TD 98/24 is incorrect because it does not take into account the balancing adjustment of \$6,000 deductible under subsections 42-195(1) and 42-195(2) of the *Income Tax Assessment Act 1997* which, under subsection 110-55(4), is not included in the reduced cost base. The amount of \$6000 is the difference between the undeducted cost of the plant of \$16,000 (that is \$25,000 less \$9,000) and its termination value of \$10,000 (assuming no sale expenses).

Note 2: The calculation of the capital gain in paragraph 13 of TD 98/24 needs to reflect the change made to the *Income Tax Assessment Act 1997* by Act No 16 of 1999 to exclude deductible amounts from the cost base of a CGT asset.

Commissioner of Taxation

28 July 1999

ATO references:

NO 99/4295-5; 98/6646-9

ISSN: 1038 - 8982