



## Capital Gains - Australia - CPI Index Numbers

### Background

A system of averaging applied to capital gains arising before 21 September 1999 where the asset was held for more than 12 months (note - there are some exceptions to this 12-month rule). This worked for the generality of taxpayers by dividing the net capital gain by 5, adding the result to the taxpayer's other taxable income, and multiplying the tax payable on this one-fifth by 5 to arrive at the tax payable on the capital gain.

Note that the Medicare Levy is payable on the full amount of the net capital gain.

This averaging method did not apply to limited companies, which pay tax at a flat rate.

It should be noted that indexation does not apply in calculating what is termed the reduced cost base used in computing a capital loss.

Where an asset acquired is sold that was acquired after 1145 AEST on 21 September 1999 the new "CGT discount" applies. For individuals this reduces the amount of the gain chargeable at normal income tax rates to 50% of the actual net capital gain without indexation, so long as the asset was owned by the taxpayer for at least 12 months at the time of the CGT event happening (or effectively owned for 12 months in the case of assets acquired following certain roll-over reliefs, or under the rules applying to deceased persons.)

Where an asset is sold after 1145 AEST 21 September 1999 and was acquired before that time the individual taxpayer has a choice between paying tax at normal rates on the net capital gain with indexation frozen at 30 September 1999, or adopting the CGT discount method.

The Indexed Cost Base Element is calculated using the following formula:

$$\text{Indexed Element} = \text{Element} \times \frac{\text{CPI Index for Quarter of CGT Event (ie disposal)}}{\text{CPI Index for Quarter in Which Expenditure Incurred}}$$

### CPI Index Numbers

Quarter Ended	Index Number
Sep 1985	71.3
Dec 1985	72.7
Mar 1986	74.4
Jun 1986	75.6
Sep 1986	77.6
Dec 1986	79.8
Mar 1987	81.4
Jun 1987	82.6
Sep 1987	84.0
Dec 1987	85.5
Mar 1988	87.0
Jun 1988	88.5

Sep 1988	90.2
Dec 1988	92.0
Mar 1989	92.9
Jun 1989	95.2
Sep 1989	97.4
Dec 1989	99.2
Mar 1990	100.9
Jun 1990	102.5
Sep 1990	103.3
Dec 1990	106.0
Mar 1991	105.8
Jun 1991	106.0
Sep 1991	106.6
Dec 1991	107.6
Mar 1992	107.6
Jun 1992	107.3
Sep 1992	107.4
Dec 1992	107.9
Mar 1993	108.9
Jun 1993	109.3
Sep 1993	109.8
Dec 1993	110.0
Mar 1994	110.4
Jun 1994	111.2
Sep 1994	111.9
Dec 1994	112.8
Mar 1995	114.7
Jun 1995	116.2
Sep 1995	117.6
Dec 1995	118.5
Mar 1996	119.0
Jun 1996	119.8
Sep 1996	120.1
Dec 1996	120.3
Mar 1997	120.5
Jun 1997	120.2
Sep 1997	119.7
Dec 1997	120.0
Mar 1998	120.3
Jun 1998	121.0
Sep 1998	121.3
Dec 1998	121.9
Mar 1999	121.8
Jun 1999	122.3

Sep 1999	123.4
Dec 1999	124.1
Mar 2000	125.2
Jun 2000	126.2
Sep 2000	130.9

**Any questions?**

**Contact Alan Collett on +44 (0)2380 488786, or [alan@collettandco.com](mailto:alan@collettandco.com)**