CGT events - disposals and timing

MODULE 3 | 3.2.1 | STUDENT COMPANION

A capital gain or loss can arise only when a **CGT event** happens. Pick the right event, because each has its own timing, calculation and exceptions. The most common event, **A1**, happens when the disposal contract is made, not at settlement.

Why CGT is built on events

No event, no gain. Under s 100-20(1) of ITAA97 you make a capital gain or loss only if a CGT event happens. The events are defined in Division 104. Rises and falls in value on paper are not taxed.

The right event matters. Each event has its own timing rule, its own way of calculating the gain or loss, and its own exceptions. Some exemptions and concessions apply only to certain events. The wrong event can put a gain in the wrong year or measure it wrongly.

The families

A - Disposal Disposal of a CGT asset	**B - Use before title** Use and enjoyment of an asset before title passes	**C - End of an asset** Lost, destroyed, cancelled or expires	**D - New asset created** For example, creating a contractual right or granting an option	**E - Trusts**	**F - Leases**
G - Shares	**H - Special capital receipts** For example, a forfeited deposit	**I - Residency ends** Australian residency ends	**J - After rollovers** Follow-ups to rollovers, usually where something changes afterwards	**K - The rest** Other events	

The six chief events

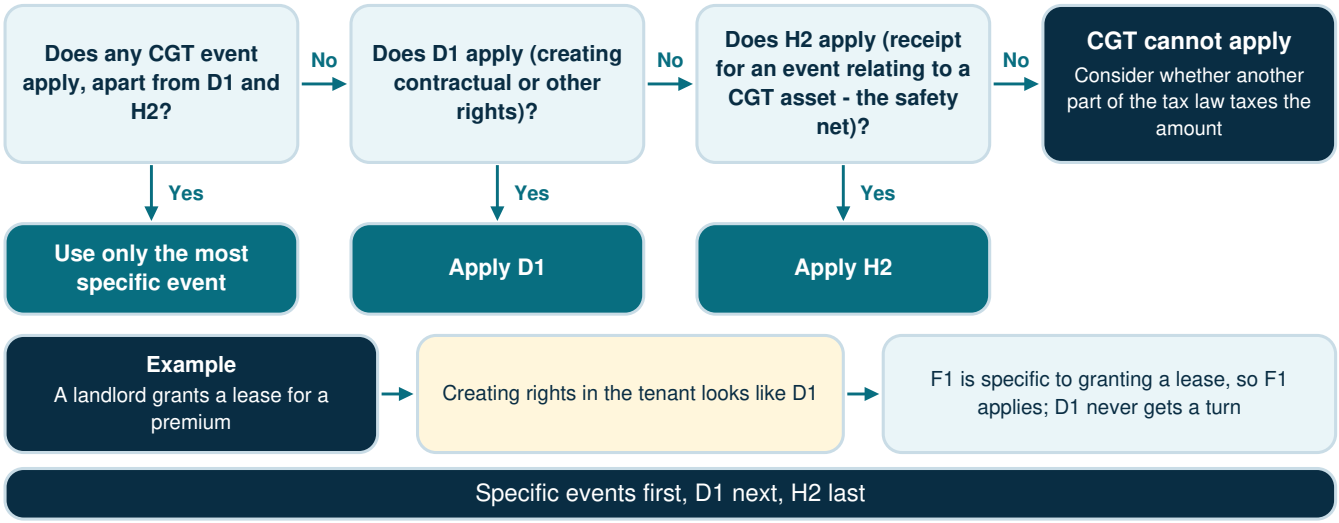
A1	C1	C2	D1	F1	H1
Disposal	Loss or destruction	Cancellation, surrender and similar endings	Creating contractual or other rights	Granting a lease	Forfeiture of a deposit

A1 in this lesson; the other five in lesson 3.2.2

Events are named by a family letter and a number. You need the map, not every event in depth. (Tax consolidation events L1 to L8 are not examinable.)

When more than one event fits (s 102-25)

- Apply the most specific event, leaving aside D1 and H2.
- Only if none applies, consider D1.
- Only if D1 does not apply, consider H2, the safety net.
- If none applies, CGT cannot apply - check other parts of the tax law.



Event A1 - disposal (s 104-10)

The test is a change in beneficial ownership. Sales, gifts, part disposals and compulsory acquisitions are all disposals.

Not a disposal:

- an asset destroyed - nobody else owns it (event C1 instead)
- a change of trustee where the beneficiaries stay the same.

Timing. A1 happens when the disposal contract is entered into. With no contract, it happens when ownership changes. Payment and settlement dates do not matter.

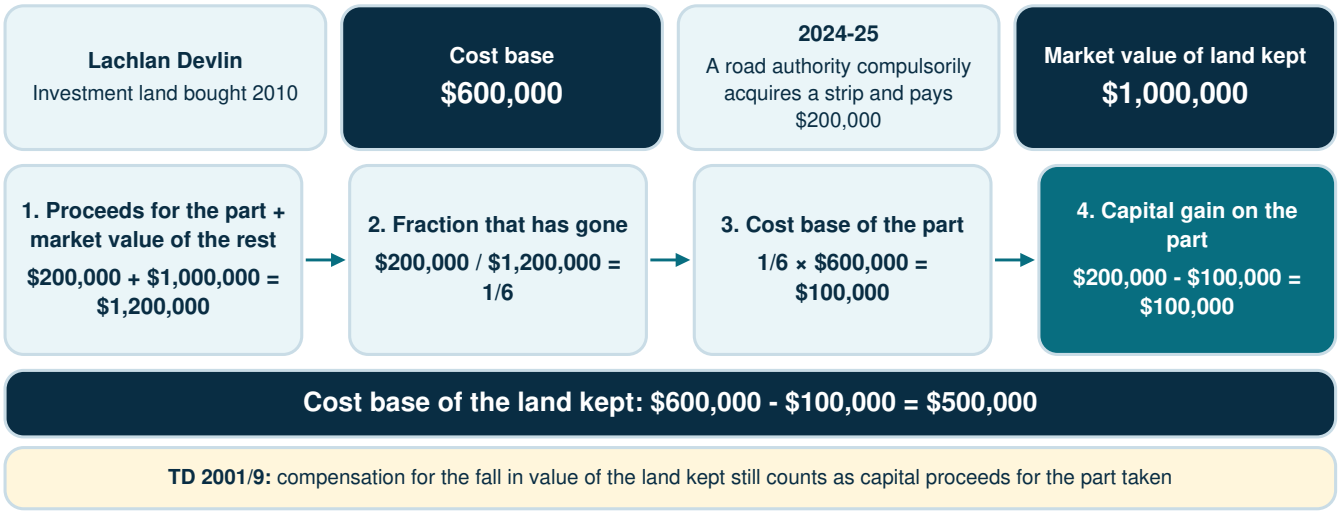
Contract falls through. No change of ownership means no A1. If the gain was already returned, ask for the assessment to be amended.

Measuring the gain or loss

Result	When
Capital gain	Capital proceeds are more than the cost base
Capital loss	Capital proceeds are less than the reduced cost base
Neither	Proceeds fall between the two

Pre-CGT assets. A gain or loss from A1 is disregarded if the asset was acquired before 20 September 1985.

Part disposals (s 112-30)



Cost base of the part = cost base x proceeds for the part / (those proceeds + market value of the remainder). Under TD 2001/9, compensation for the fall in value of the land kept counts as capital proceeds for the part compulsorily acquired.

Key figures for 2024-25

Item	Rule
CGT start date	20 September 1985 - earlier acquisitions disregarded for A1
Events defined	Division 104 of ITAA97
Order of events	s 102-25: most specific, then D1, then H2
A1 timing	Contract date; no contract - change of ownership
Part disposal	s 112-30 apportionment; TD 2001/9

Practice questions

MODULE 3 | 3.2.1 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Does event A1 happen, and when?

For each situation, state whether CGT event A1 happens. If it does, give the date of the event and the income year it falls in. If it does not, say why.

(a) On 27 June 2025, an investor signs a contract to sell listed shares. Settlement takes place on 2 July 2025.

(b) On 15 September 2024, a father transfers a parcel of units in a unit trust to his son as a gift. There is no contract.

(c) On 1 March 2025, a family trust replaces its individual trustee with a company as trustee. The beneficiaries do not change.

(d) On 3 November 2024, an investment painting is destroyed in a gallery fire.

(e) On 10 May 2025, an investor signs a contract to sell vacant land. In June 2025 the buyer withdraws, and the sale is never completed.

(f) On 1 April 2025, an investor signs a contract to sell land she acquired in 1983. Settlement is on 20 May 2025.

(g) On 30 June 2024, an investor signs a contract to sell shares in a private company. Settlement is on 20 July 2024.

Question 2 - Gain, loss or neither

In 2024-25, Winsome Bramwell sells three investments. Assume each sale is CGT event A1 and that the figures below are correct. Calculate the capital gain or capital loss on each.

Asset	Capital proceeds	Cost base	Reduced cost base
Shares in a listed company	$84,000	$60,000	$60,000
Vacant land	$310,000	$335,000	$320,000
Units in a unit trust	$47,000	$50,000	$45,000

Question 3 - Compulsory acquisition of part of a property

Prunella Marwood bought farmland in 2015 as an investment and leases it to a neighbour. Its cost base is $900,000. In the 2024-25 income year, a water authority compulsorily acquires a section of the land and pays her $150,000 in compensation. Of that amount, $20,000 is stated to be for the fall in value of the land she keeps. After the acquisition, the land she keeps has a market value of $1,050,000. Ignore any rollover. Calculate: (a) the cost base of the part acquired; (b) the capital gain on the part acquired; (c) the cost base of the land Prunella keeps.

Worked answers

MODULE 3 | 3.2.1 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Answer 1

- **(a) Yes.** A1 happens when the contract is entered into: 27 June 2025, in the 2024-25 income year. The July settlement does not move it.
- **(b) Yes.** A gift changes beneficial ownership. With no contract, A1 happens when ownership changes: 15 September 2024, in the 2024-25 income year.
- **(c) No.** A change of trustee with the same beneficiaries does not change beneficial ownership, so there is no disposal.
- **(d) No.** Nobody else becomes the owner of a destroyed asset, so there is no disposal. Event C1 (loss or destruction) is the relevant event (lesson 3.2.2).
- **(e) No.** The contract was never completed, so ownership never changed and A1 does not happen. If the gain had already been included in a return, the investor would ask for the assessment to be amended.
- **(f) Yes,** A1 happens on 1 April 2025 (2024-25 income year). But the land was acquired before 20 September 1985, so any capital gain or loss is disregarded.
- **(g) Yes.** A1 happens on the contract date, 30 June 2024, so the gain or loss belongs to the 2023-24 income year, even though settlement is in July 2024.

Answer 2

Asset	Test	Result
Shares	Proceeds $84,000 are more than the cost base $60,000	Capital gain = $84,000 - $60,000 = **$24,000**
Vacant land	Proceeds $310,000 are less than the cost base, so there is no gain. They are also less than the reduced cost base $320,000	Capital loss = $320,000 - $310,000 = **$10,000**
Units	Proceeds $47,000 are less than the cost base $50,000 (no gain) but more than the reduced cost base $45,000 (no loss)	**Neither** a capital gain nor a capital loss

The loss on the vacant land is measured against the reduced cost base, not the $335,000 cost base.

Answer 3

Under TD 2001/9, the $20,000 for the fall in value of the land kept is still part of the capital proceeds for the part acquired, so the capital proceeds for the part are the full $150,000. **(a)** The cost base of the part acquired:

Step	Working
1. Proceeds for the part + market value of the remainder	$150,000 + $1,050,000 = $1,200,000
2. Fraction that has gone	$150,000 / $1,200,000 = 1/8
3. Cost base of the part	1/8 × $900,000 = **$112,500**

(b) Capital gain = $150,000 - $112,500 = **$37,500** (CGT event A1, 2024-25 income year).

(c) Cost base of the land kept = $900,000 - $112,500 = **$787,500**.