

To begin the answer, a few preliminary premises need to be laid down first. Capital gains tax (CGT) is imposed on any capital gain after the year 1985, the year in which the concept was introduced. The CGT may be reduced by the means of capital loss sustained in the year and if the losses exceed the gains, the same may be carried forward to the next year for deduction from that year's capital gain. The rate of payment of the CGT is the rate of the income tax to be paid in that particular year. An assumption is made that no costs have been indexed for inflation by the tax payer in the relevant year and thus, the discounting method has been used. The CGT consequences incurred by Cameron Tuck have been highlighted below, as required by the report.

Cameron Tuck held 50 shares of \$1 each from 1<sup>st</sup> July, 1999. He sold 11 of these shares to Linda Kwan at the market value of \$500,000 in 2007. However, deferred payment for the same was agreed upon until the business was sold. The business was agreed to be sold by Cameron Tuck and Vince Lim, the incorporators in 2013. The assumption is made that the proceeds for the sale of the shares has been forwarded in this year. The amount of capital gain from this sale shall be calculated by deducting the cost base from the capital proceeds. Capital proceeds shall be \$500,000 and the cost base is \$11 as per Section 110.25 and Section 116.20 respectively of the Income Tax Assessment Act, 1997. In this scenario, it turns out that there is a net capital gain of \$499,989 from the sale of shares. The amount shall be discounted by 50% as Cameron Tuck is an individual and has held the shares for more than a period of 12 months in compliance with Section 115.10, Section 115.15, Section 115.20 and Section 115.25. Thus, the net taxable amount shall be \$249,994.5. The tax to be paid on this amount as per the Australian 2013-2014 tax rates shall be \$86,044.525.

For the year 2015, Cameron Tuck's proprietary company has been sold to Macroboard Pty Ltd. for \$30 million. Since the facts are silent on the matter, it has been assumed that only 100 shares were issued, since TLPL Pty. Ltd. is a proprietary company, which means that the company is limited by shares. Seeing the past sale of 11 shares of TLPL Pty. Ltd. by Cameron, his share in the company has been reduced to 39 shares, meaning he has 39% share in the company. The company has been sold for \$30 million, which gives Cameron a capital gain of \$11,700,000. Again, to calculate the CGT, the total amount needs to be discounted in compliance with Section 115.10, Section 115.15, Section 115.20 and Section 115.25 of the Income Tax Assessment Act, 1997, seeing that Cameron Tuck is an individual and has had the business and has been a shareholder of the company for more than a period of 12 months. The assessment of the tax thus shall be made on \$5,850,000. To assess the net CGT to be paid, the income tax rates of the year 2015-2016 need to be consulted as the sale has been made in September 2015. Since the amount is above \$180,001 the base amount of \$54,547 shall be chargeable along with 45c for every \$1 above \$180,000. Thus, the total amount of capital gains tax to be paid by Cameron Tuck for the year 2015-2016 shall be \$2,606,047 on account of sale of proprietary business in which he was a shareholder.

To summarize, Cameron Tuck's CGT consequences arise in the year 2013-14 and 2015-16 on account of sale of shares and sale of business respectively. For 2013, the amount of CGT to be paid is \$86,044.25 and for the year 2015-16 it is \$2,606,047, both of which are discounted by 50% on account of him being an individual and the capital gain arising from sale of asset held for

more than 12 months as laid down under Section 115.10, Section 115.15, Section 115.20 and Section 115.25 of the Income Tax Assessment Act, 1997.



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