

Elizabeth Meiklejohn

From: Randal King <randalk@mtaccountants.com.au>
Sent: Friday, 3 March 2023 2:43 PM
To: Elizabeth Meiklejohn
Cc: Brenda Wishey
Subject: RE: The Echelon Superannuation Fund - negative cost base
Attachments: CGT Event G1 Return of Capital to shareholder.pdf

Hi Liz

A return of capital that exceeds the cost base will generally trigger CGT Event G1 and there will be an assessable capital gain equal to the excess of the distribution over the cost base (i.e. the negative cost base in your example).

I have attached CCH commentary that confirms this treatment. After the CGT event, the cost base of the shares will be nil.

Please come and see me if you have any further questions.

Regards,
RK

P.S - Do you know anyone who might also enjoy working with us? We're always open to referrals & helping more like-minded people, so please feel free to forward my details along. Alternatively, we would love a review!



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financial success, and freedom of choice*



Randal King | Senior Associate

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From: Elizabeth Meiklejohn <ElizabethM@virtusuper.com.au>

Sent: Thursday, 2 March 2023 11:09 AM

To: Randal King <randalk@mtaccountants.com.au>

Cc: Virtu - BrendaW - External <BrendaW@virtusuper.com.au>
Subject: FW: The Echelon Superannuation Fund - negative cost base

Hi Randal

We have a SMSF client who invested in shares in a company. The company was taken over, and the SMSF received shares in a new company. The SMSF applied rollover relief. They have subsequently received a large return of capital which means that the cost base has gone into negative.

Are there any issues with this?

Thanks for your help.

Liz

From: Bradley Hoffman <Brad.hoffman@prosuper.com.au>
Sent: Thursday, 2 March 2023 10:09 AM
To: Elizabeth Meiklejohn <ElizabethM@virtusuper.com.au>
Cc: Brenda Wishey <BrendaW@virtusuper.com.au>
Subject: RE: The Echelon Superannuation Fund

Hi Liz

That all looks fine, except for the negative costbase. I wasn't aware that this was a thing. Are you able to double-check that with RK?

Kind regards

Brad Hoffman
Managing Director
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From: Elizabeth Meiklejohn <ElizabethM@virtusuper.com.au>

Sent: Wednesday, March 1, 2023 2:52 PM

To: Bradley Hoffman <Brad.hoffman@prosuper.com.au>

Cc: Brenda Wishey <BrendaW@virtusuper.com.au>

Subject: The Echelon Superannuation Fund

Hi Brad

Can you please take a look at this one for us? Have we understood correctly?

1. The Super Fund sold 51% of it's ACIS shares in March 202 for \$3,013,268 cash
2. The remaining 49% ACIS shares were taken over by Fairway Holdco Pty Ltd
 - a. The consideration was 2,997,631 shares worth \$1 each
 - b. The Super Fund has elected to apply rollover relief meaning that it keeps the original cost base
3. Fairway Holdco paid a return of capital of 24 cents per share (\$719,431) which means that the cost base of the shares is now negative.

See attached:

L1 - share sale agreement

D1 – capital gain report

L1 – Fairway notes

L1 – negative cost base report

Thanks for your help.

Liz