

## Schedule 3

### Tax benefits and capital gains tax

#### Purpose

4.1 Schedule 3 amends the *Income Tax Assessment Act 1997* to provide a general exemption from capital gains tax (CGT) 'for capital gains arising from a right or entitlement to a tax offset, deduction or similar benefit'.<sup>1</sup>

4.2 The Hon Mr Chris Bowen, Assistant Treasurer, noted in his second reading speech:

A highly technical interpretation of the income tax law may result in a capital gain or capital loss arising to taxpayers who have a right to receive an urban water tax offset on the satisfaction of the right. This amendment will put beyond doubt that a capital gain or capital loss would not arise for taxpayers in such circumstances, or in other circumstances where taxpayers have a right or entitlement to a tax offset, deduction or other taxation benefit.<sup>2</sup>

4.3 The treatment extends to taxpayers 'who have the right to receive other types of tax offsets, deductions or other taxation benefits', for example the right to receive a reduction in land tax.<sup>3</sup>

4.4 The measure applies to CGT events in the 2009–10 income year and onwards.<sup>4</sup>

#### Financial impact

4.5 There should be no financial impact or compliance costs.<sup>5</sup>

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1 Explanatory Memorandum, p. 4.

2 The Hon Chris Bowen, Assistant Treasurer, Second reading speech, *House of Representatives Hansard*, 19 March 2009, p. 16.

3 Explanatory Memorandum, p. 72.

4 Explanatory Memorandum, p. 4.

5 Explanatory Memorandum, p. 4.

