

CGT Reporter Worksheets

Workshop Notes – Tips and Techniques

By Warren Marshall

IT Manager & Chief Software Developer, CGT Reporter

What Worksheets Can Do For You

Make your Income Tax returns easier

Build dividend and distribution reports for you each year in just a few keystrokes

Provide Portfolio Valuations

For both Super and non-Super portfolios

Includes cost bases adjusted for capital returns and actual cost of sales

Includes the ability to override/establish market values of suspended shares, employee and other non-standard shares and unlisted holdings

Calculate and set out the Capital Gains on any sale or “pseudo-sale”

Including tax deferrals on trust distributions

Including other capital returns

Can turn an expensive (and often unrecoverable) accounting task into a quick, manageable and profit-making task

Calculate backwards from a sell, or known or estimated volume

Builds a complete history of transactions on a holding

A complete CGT Worksheet can be built in a few minutes

At its simplest, you just need a sale and an estimated acquisition date

Fill in the gaps when you have only partial records

calculating and inserting dividends, distributions, DRPs, issues, capital returns, splits, consolidations

your few pieces of documentation get used to verify and, if necessary, marginally adjust the data which has been automatically built up for you by the software

Quickly determine that your client has missed out critical data – example:

- Client said that he bought two parcels in 1989 totalling 1100 shares and took up DRPS. His current holding is 2753.
- I entered the acquisition data in CGT Worksheets. Worksheets calculated a current holding of about 1950
- Calculating backwards from 2753 showed that a further parcel of 600 or 650 shares was acquired, probably back in 1988-91.
- Less than 4 minutes required to realise that the client needed to provide more info!

Is My CGT Reporter Up-To-Date?

1. Open C.G.T. Reporter
2. Help → About C.G.T. Reporter (last help entry)
3. “Application last changed”? More than a month ago?
4. Check for a patch
 - click the link at the base of the help window:
<http://www.cgt.com.au/patches.php>
 - Check Program Patch date – download if more recent and run it (like an install) choosing the existing CGT Reporter folder when prompted by the installer
 - Take note of any new bugs and workarounds introduced with this patch
 - Note: everyone must be out of the CGT Reporter in order to patch or upgrade it
 - Note: **All** copies (if on individual workstations or laptops) **must be updated to the same version** or synchronisation problems may occur

Wandering Mouse?

Easily Fixed - Go to

Windows *start*

Control Panel

Mouse

Pointer Options (third tab)

Un-tick “Enhance Pointer Precision”, click Apply, click OK

Getting DATA INTO the Worksheets

1. **Insert a new client** or select an existing client
2. Choose whether the **client USUALLY reinvests** in DRPs
3. Jump to the **Worksheet Data Entry window**
 - **THIS IS WHERE ALMOST ALL THE WORK IS DONE**
4. **Add a “Holding”** to the client portfolio
5. Change the **DRP settings** on the holding if different to the client default
6. Add **“Buys”, “Sells”, “Known Volumes”, “Estimated Volumes”**
7. Optionally let the **worksheet system reconstruct investment history backwards** from a Sell or Known Volume, including DRPs, issues etc.
8. Let the **worksheet system construct investment history forwards**, including DRPs, issues etc.
9. Verify and **optionally adjust any values** calculated by the worksheet system
10. Print off the **Acquisition Audit Report** to cross-check, or to attach to the client’s file

Getting INFO OUT of the Worksheets

Income Tax – Dividend and Distribution Worksheets

1. **Triggered by existing dividends or distributions** in a given tax year
Capital Gains, Tax Deferrals, Capital Returns, Cost Bases – **CGT Worksheet**
2. **Triggered by a “Sell”** (or “pseudo-sell”) or **“Buy-Back”** in a given tax year
Portfolio Valuation – **Superannuation Audit / Portfolio Valuation Worksheet**
3. **Triggered by existing assets at year-end** in a given tax year

1. Jump to the required **Worksheet Capture window** or choose it from the **Worksheets - Review and Capture** menu
2. **Portfolio / Super worksheet only - Adjust market values** prior to capture if necessary
3. **Portfolio / Super worksheet only – Do any relevant CGT Worksheets** prior to capture
4. **“Capture”** the worksheet(s) – the worksheet will **not be updated** until you re-capture it
5. Jump to the **Captured Worksheets window** or choose it from the **Worksheets – Captured Worksheets** menu
6. **CGT worksheet only - Match acquisitions** against the volume sold
 - Includes automated and manual methods to simplify/speed this task
7. Optionally **“lock”** worksheet against inadvertent deletion or modification
8. **Print** and/or **export** to Excel-compatible format

Backup/Restore

Two choices:

Our **Ad-hoc** Backup facility (not recommended except as a “quick and dirty” solution):

We **didn't write it**, but we provide it as a free extra

You need to initiate it – requires discipline

You need to test that it **works**

Will **NOT** save you in the event of a Hard Disk Crash, in its default settings

Your System-wide Backup facility

Happens **automatically**, if set up correctly

Should be happening daily

Backup media should be regularly shipped off-site

Is completely useless **unless you can restore from it**

Should be **tested** at least twice a year

Only **worksheet*.tps** files require backup

Optionally include **dcd.tps** (a security file for all versions of CGT Reporter)

Optionally include **dssw2.tps** (a security file for limited seat versions of CGT Reporter)

Optionally include **udtls.tps** (holds your contact details and related data)

Synchronisation

What is it? A way to pass the **latest worksheet data** among **all the users**

Who needs it?

Everyone accesses CGT Reporter on the Server?

Don't need to synchronise

Laptop has CGT Reporter installed locally while everyone else uses the Server?

Laptop needs to synchronise with **CGT Reporter on the Server**

Everyone on their own PCs?

Everyone needs to synchronise with a **Shared Folder on the Server**

Import/Export Client Databases

Alternative to Synchronisation - Uses the same “engine” but works differently

You choose which clients to export to a folder

Currently **imports ALL clients** from the selected folder and **overwrites** those clients' data

Allows you to:

- Pass specific clients to/from a contract accountant
- Integrate the clients of new partners joining the practice
- Split off clients to import into a new branch office

Stapleds – some general guidelines

1. Data must be added inside the “**child**” holdings of the stapled “parent” holding
2. Assume we can handle the specific stapled security – usually the case
3. Generally add transactions on the **unit** as this is where most processing occurs
4. If a transaction **pre-dated the stapling**, then it will **NOT be duplicated** in the other “child” holding(s)
 - you need to add the matching volume in the **other children**
 - add the **appropriate volume** into the other child holdings **one day prior to the stapling date**
 - **the capital return** which paid for the new “child” holding (e.g. from the UNTs into the ORDs if there were already UNTs prior to stapling) **needs to be deleted** in the Corporate Events step (step 5).
5. If a transaction **post-dated the stapling**, then it **WILL be duplicated** in the other children
6. Currently, cost bases are **shared across all stapled children** in CGT Worksheets
 - **Important:** Capital returns for shares, which funded the stapling, must be set to zero (or deleted) as the value has not left the stapled parent
7. IPOs may not work correctly on stapleds – use a **buy** instead

Other data entry – some special considerations

1. **Buybacks** – if the client took up a buy back, which included both dividend and capital components, you need to enter the number of shares relinquished in the BUYBACK dividend entry AS WELL AS the buyback corporate event entry. In the corporate event, you should use the capital value only of the buyback.
2. **Cash issues** – we assume that your client took them up – if not, or if only a proportion were taken up, you need to delete the entry or modify the number taken up
3. **Calls or additional payments on an IPO, cash issue, etc** – the *entire* capital acquisition took place on the initial purchase (none of it took place on the call) according to the ATO. Therefore, change the IPO (or whatever) entry to include the **TOTAL acquisition price** and DELETE the call entry.
4. **General rules for Corporate Actions:**
 - a. **Bonuses, Splits, Consolidations** are calculated for you – you can adjust the calculation
 - b. **Cash Issues** are calculated for you and the system assumes your client took up the entire allocation – you can change this figure
 - c. **Buy-Backs, IPOs, Placements** are calculated but the system assumes that your client took up/relinquished **none** of the shares – you can change this
 - d. **All other corporate events are informational only** – use **buys/sells etc** to enter shares acquired or relinquished as a result of other corporate events (e.g. takeovers)

Refreshing Data

Refresh JUST This Security's Data

- Updates this security for all data changes in our underlying database and your data changes in Data Entry Steps 3 thru 6.
- Typically a few seconds – more for stapled securities.
- Use after reconciliation backwards
- Use if you suspect the figures could be wrong
- Use if Corporate Actions (step 5) entries have not been generated

Refresh THIS Client's Data

- As above but for ALL this Client's holdings
- Can take a few minutes for a large portfolio
- Use to update **one client's data, if urgently required**, for new CGT Reporter data, after installing the trust update, midyear update, or re-subscription of CGT Reporter
- Use to eliminate old inconsistent data in a client's dividend/distribution worksheets

Refresh ALL Clients' Data

- Typically an overnight job
- Use to update the entire client database, for new CGT Reporter data, after installing the trust update, midyear update, or re-subscription of CGT Reporter
- Run from **Worksheets** menu ➔ **Update All Clients For Latest Data**

Reconciliation backward, from a sale or known volume

One of the most time-consuming manual processes

Reverse-calculate backwards through DRPs

Cope with **share splits, consolidations, rights issues**, and more

With CGT Worksheets, just enter the **sell** or **known volume** details, type in the “**starting date**” and press the button.

We generate an “**estimated volume**” entry for the initial transaction (along with all the DRPs and corporate events between the starting and ending dates).

You should validate the estimate by **refreshing the holding**. This may result in shares still existing after the sell (initial estimate was too high and should be decreased) or a negative shareholding after the sell (initial estimate was too low and should be increased).

If you cannot perfectly balance, you may need to adjust a DRP or issue by one share.

You can then choose an **appropriate initial purchase price**, based on the monthly prices around the estimate date.

You are free to adjust any figures as needed

Reconciliation backward, from a sale or known volume, to an initial holding

The steps:

1. **Add the holding**
2. **Add the sell** including all details
3. Type in the estimated **acquisition date** next to the Calculate Backwards button
4. Press the **Calculate Backwards** button
5. **IMPORTANT: Refresh the security**
6. **Change the estimate** if necessary
7. Give a **cost base** to the estimated volume
8. Go to **CGT Worksheets**
9. **Capture** the worksheet
10. **Jump** to CGT worksheets
11. **Balance** from Earliest Acquisition forward
12. **Print and/or export** the worksheet

If Rights Issues NOT Taken Up – **Do This First:**

If there were **rights issues** (say), which you know were **NOT taken up by the client:**

1. add a **Known Volume prior to the first rights issue** with say 100 shares
2. press the **Next Step** button twice to **Step 5** (Corporate Actions)
3. **delete each rights issue** which was **not** taken up
4. press the **Back to Buys/Sells** button
5. **delete the Known Volume**
6. now do the **Reconciliation backward** as above

Superannuation / Portfolio Valuation Worksheets

Market Value Missing?

Private Companies or Trusts in the worksheet?

Add a **Value Override** in the **Super Worksheets for Review and Capture** window

- Add value override for this client only for the latest required year
- Add value override for this client only for the previous year
- Re-Capture the **latest** required year (i.e. change the year back before capture)

Suspended Share Price at June 30

Add a **Share Price Override** in the **Review and Capture** window

- Add share price for whichever year has the suspended price for **ALL** clients
- Re-Capture the **latest** required year

Other reasons to override market value or share price:

Client has employee shares or other non-standard shares

Add a **Share Price Override** in the **Review and Capture** window

- Add value override for **this client only** for each required year
- Re-Capture each required Super/Portfolio worksheet

Cost Base Missing?

Sells or Buy-backs need to have their **CGT Worksheets captured and balanced**

- Check the holding's data entry for sells and buy-backs
- Capture CGT worksheets for each (you need to change to the year of the sell/buy-back to capture it)
- Jump to the Captured CGT Worksheets window and balance each in turn
- Go to the Review and Capture Superannuation Worksheets window
- Re-Capture the required worksheet

CGT Worksheets

Nothing to Capture?

- Entered a **buy** instead of a **sell**?
- Looking at the **wrong year**?

Automated Balancing Strategies:

- **Sell All Shares:**
 - Apply Earliest Acquisitions Forward
- **Usually Highest (discounted) CGT** (assuming increasing price over time):
 - Apply Earliest Acquisitions Forward
- **Usually Lowest CGT** (assuming increasing price over time):
 - Apply Most Recent Discounted Acquisitions Back
- **Selectively exclude some acquisitions** before automatically balancing
 - Double-click on the acquisition to be excluded
 - Press the “This Entry INCLUDED” button to make it say “This Entry EXCLUDED” and save
 - Repeat this process as necessary on different acquisitions
 - Press the “Apply Earliest Forward” or “Most Recent Backward” button as required to balance the rest
- **Selectively use some acquisitions** before automatically balancing
 - Highlight the required acquisition
 - Press the “Use the Highlighted Acquisition” button
 - Repeat this process as necessary on different acquisitions
 - Press the “Apply Earliest Forward” or “Most Recent Backward” button as required to balance the rest

Strategies For Different Situations - Pre-CGT Holdings

CGT Exempt:

- **Original Pre-CGT Acquisitions**
- **Bonuses out of Pre-CGT Capital**
- **BSPs/BOPs/DEPs out of Pre-CGT Capital**

CGT Assessable

- **DRPs**
- **Post-CGT Acquisitions**
- **Bonuses out of Post-CGT Capital**
- **BSPs/BOPs/DEPs out of Post-CGT Capital**

Partially CGT Assessable

- **Cash Issues (Rights/Entitlements)**
 - **Is the total value of the issue substantial?**
 - **Yes?**
 - **Was the issue at a significant discount to the daily price?**
 - **Yes?**
 - **The CGT saved could be a substantial benefit for your client –**
 - **Probably worth your time**

You are much smarter than the computer at recognising what is and what is not a capital gain

My recommendation (if you have a better way, **please** let us know):

- Enter all the data, arising from a pre-CGT acquisition, into a single parcel
- Let CGT Worksheets build the data for you as usual
- Adjust the data if required to match whatever documentation is available
- Capture, balance and print your CGT Worksheet
- Eye-ball the worksheet:
- mark those entries which are CGT-exempt e.g. original purchase, bonus, BOP/DEP
- mark those entries which are CGT-assessable e.g. DRPs, post-CGT buys, rights issues
- Export your CGT Worksheet to Excel and split it into two
- Note that Rights Issues MAY be a special case if at a significant discount to the market. If a large allocation was taken up:-
 - Examine the market prices in the period near the rights payment date
 - If the rights price was at a big discount to the market, a significant proportion of the rights issue may be CGT Exempt and you should probably split it into two entries
 - e.g. 1200 rights at 20% discount on payment date becomes 240 tax exempt and 960 fully taxable

Strategies For Different Situations - De-Mergers

We usually treat one entity as a continuation of the original (just a name change)

We recommend that you create a **known volume** transaction on the **new** entity at the **demerger date**, for the capital value of the in-specie distribution.

De-Mergers – Example

Look at Alumina (originally W.M.C. Ltd) and the split-off of W.M.C. Resources in 2002 (later taken over by BHP)

ATO has determined that Alumina retained 53.7% of original WMC capital while W.M.C. Resources got 46.3%.

Use these percentages to

- Get the capital repayment from Alumina
- Establish the “purchase” price of W.M.C. Resources

De-Mergers – Step by Step

1. **Add holdings** for both securities (i.e. original equity and newly demerged equity)
2. **Create acquisition data for original equity** (including issues, DRPs etc)
3. Note the **total volume on the demerger date** (see the Significant Transactions list to get this)
4. **On the day BEFORE demerger, add a SELL** of the total volume (note that the sell price is irrelevant, since we are only concerned with the cost base)
5. Do a **CGT Worksheet**, balancing from oldest acquisition forward (using all acquisitions)
6. Preview or **print the worksheet to obtain the COST BASE**
7. You can delete the CGT worksheet if you wish or keep it as reference
8. Go back to Data Entry and **change the sell to a Known Volume**, replacing the cost base **with the cost base obtained from the CGT Worksheet**
9. Add a **NEW Known Volume, at the demerger date**
10. Multiply
 - **Previous Day’s cost base** as set up in step 8
 - **Multiplied by proportion of assets** remaining in the original equity (as per ATO ruling or demerger document)
 - = **the NEW COST BASE at the demerger date**
11. On the **NEW Security, add a Known Volume record** on the demerger date
12. In the Known Volume record for the **New Security**, set the **Cost Base =**
 - **Original equity’s cost base pre-demerger** (from step 8)
 - **Minus the cost base post-demerger** (from step 10)
13. Finally, set the **number of shares/units in the new holding’s known volume** according to the specific demerger terms – usually equal to the number in the original holding (i.e. a 1-for-1 in-specie distribution)