Tax information for shareholders who acquired shares through the NRMA demutualisation

This information applies to NRMA Insurance Group Ltd (NIGL) shareholders who are individual Australian residents. The advice does not apply in relation to shares held as trading stock or revenue assets.

Anybody who follows this information and in doing so makes an honest mistake will be protected from any penalty on underpaid tax. If this information is misleading or incorrect, anybody who makes an honest mistake as a result of it will be protected from any penalty and any interest on underpaid tax.

Are there any taxation consequences for me giving up my rights as a member of the NRMA?

No. However, there are taxation consequences in relation to owning and disposing of the NIGL shares you receive for giving up your NRMA membership rights.

What are the taxation consequences of owning NIGL shares?

As an owner of NIGL shares you may receive dividends which should be included in your income tax return.

If you dispose of your shares to someone else (or another CGT event happens to them e.g. they are cancelled) you must determine whether you have made a capital gain or capital loss. Any capital gain is included as income in your income tax return. Any capital loss is offset against capital gains (but not against other income).

Why should I have to pay tax on capital gains if I sell my NIGL shares?

Shares are CGT assets and a disposal of an asset is subject to the capital gains rules in the *Income Tax Assessment Act 1997* (the Tax Act).

However, the full value of the NIGL shares is not a capital gain. The gain is the difference between the cost base of the shares and the amount you realised when you sold them.

How is the cost base determined?

Under the rules in the Tax Act for insurance companies that demutualise, the acquisition cost of NIGL shares allocated to you was calculated as $1.78 per share.

The cost base can also include costs associated with the sale of the shares. These costs include stamp duty and fees paid to your stockbroker.

How do I work out my capital gain or capital loss if I sell my shares?

If you sold your allocated shares through the Facility, your capital gain for each NIGL share is the excess of the Facility Price ($2.75) over the acquisition cost of $1.78.

If you disposed of your shares (including through the Facility) **before** listing on the Australian Stock Exchange you cannot claim any capital loss.

If you dispose of your shares **before or after** listing on the Australian Stock Exchange for an amount which is greater than their cost base, you make a capital gain.

If you dispose of your shares **after** listing on the Australian Stock Exchange for an amount which is less than the cost base, you make a capital loss.

For more information about how to work out capital gains, refer to the booklet *Guide to Capital Gains Tax* which can be obtained from your local tax office. This information is also available on the Tax Office Internet site at **www.ato.gov.au**.

What happens if I bought more NIGL shares through the Facility or after listing on the ASX?

If you accepted the offer outlined in the Prospectus to purchase more shares through the Facility the additional 181 shares purchased have a different acquisition cost from the shares originally allocated to you. The acquisition cost of these shares will be the amount you paid for them under the Facility, ie $2.75. If you acquired more shares after NIGL was listed on the ASX, the acquisition cost for these shares will generally be the amount you paid for them (although special rules apply if you did not pay anything for them or in some cases where you paid less than the market value).

You need to keep accurate records for these additional shares. To work out your capital gain or capital loss if you later sell some of your NIGL shares, you must be able to identify which shares are from your original allocation and which are from your additional purchase through the Facility.

Example

You received 200 shares in NIGL as a result of giving up your membership rights. You also applied for shares through the Facility and received an additional 181 shares prior to listing at $2.75 per share. On 1 September 2000 you also acquired through a broker another 200 shares at a cost of $2.55 per share. You incurred additional costs of brokerage fees of $50 and stamp duty of $20 to acquire them.

You sold all your NIGL shares on 29 December 2000 at $2.85 per share. You incurred $50 incidental costs in relation to the sale.

	Allocated Shares	**Facility Purchases**	**ASX Purchases**
Number of shares	200	181	200
Sale Proceeds	$570 (200 x $2.85)	$515.85 (181 x $2.85)	$570 (200 x $2.85)
Less Cost base	$356 (200 x $1.78) $17.25 (sale costs)	$497.75 (181 x $2.75) $15.50 (sale costs)	$510 (200 x $2.55) $50 (brokerage) $20 (stamp duty) $17.25 (sale costs)
Capital Gain	$196.75	$2.60	
Capital Loss			$27.25

Will I be entitled to any CGT concessions when I sell my shares?

You can reduce your capital gain by the 50% CGT discount if you own the shares for at least 12 months.

You commenced owning your allocated NIGL shares on 19 June 2000 and the shares acquired through the Facility on 6 August 2000.