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21 August 2026

Dear Sir/Madam,

Treasury Laws Amendment (Tax Reform No. 3) Bill 2026: CGT adjustments (tranche 2)

CPA Australia is Australia's leading professional accounting body and one of the largest in the world. We represent the diverse interests of more than 176,000 members in over 100 countries and regions. We make this submission in response to the exposure draft materials released on 4 August 2026 relating to CGT adjustments (tranche 2); CGT apportioning method; Negative gearing (tranche 2); and New residential dwelling and negative gearing activity exemptions.

Executive summary

We acknowledge the amendments in the negative gearing schedule (proposed sections 26-156 to 26-159) that preserve access to pre-Budget grandfathering, and to "new residential dwelling" treatment, where an interest in a dwelling pass on the death of a spouse or co-owner, or as a result of a relationship breakdown. These changes address concerns we raised our submission to the Senate Economics Legislation Committee on Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 in relation to involuntary ownership changes through death and relationship breakdowns.

We remain concerned, however, that the scale and complexity of these reforms are not being matched by a commensurate consultation process. This submission focusses on four matters: the consultation timeframe; the need for adequate consultation on the remaining tranches, in particular tax consolidation and CGT rollovers; specific concerns on the CGT apportionment methodology; and the omission of child maintenance trusts from the new exception in proposed section 119-20.

We also have a broader concern about the cumulative complexity of the proposed reforms. Australia's CGT rules are already among the most technically demanding areas of the income tax law. The proposed changes add further layers of complexity, including a deemed realisation, a compounding apportionment formula, a residency-dependent indexation factor, a minimum tax with its own exceptions, and multiple grandfathering and exemption tests.

While each element may have a policy rationale in isolation, their combined effect is to create a tax system that will be difficult for even a competent adviser to explain to a client in plain English. This is not simply a matter of administrative convenience. Australia's tax system relies heavily on self-assessment, which depends on taxpayers being able to understand how their liability is calculated and why tax is payable.

The Government should therefore consider the cumulative compliance and comprehension burden of the reforms, rather than assessing each design feature in isolation. A tax rule that is technically sound but cannot readily be understood or applied in practice risks undermining confidence in the self-assessment system.

Key comments and recommendations:

1. Extend the consultation period for legislation of this technical complexity to no fewer than four to six weeks.

2. Publish a timetable for all remaining tranches, provide an extended consultation period for the tranche dealing with tax consolidation and CGT rollovers, and defer the 1 July 2027 commencement if the remaining tranches are not settled with adequate lead time.

3. Adopt a straight days-held apportionment of the overall capital gain — as the method for shares, trust interests and other low-cost-base assets (including goodwill), and as an alternative available to all taxpayers — in place of the more complex compounding return model.

4. For a CGT event C2 involving the disposal of a right to seek compensation, attribute the gain to the period in which the relevant act, transaction or event became apparent.

5. Allow taxpayers to choose whether to revisit the original apportionment where the capital gain or loss is later amended; where they do not, apply the adjustment against the post-30 June 2027 gain.

6. Extend the exception in proposed section 119-20 to capital gains relating to the excepted trust income of child maintenance trusts.

1. Consultation timeframe

The Exposure Draft was released in early August 2026, with submissions due by 21 August 2026 — a consultation period of approximately two and a half weeks. The material is highly technical. It introduces, among other things, "deferral realisation events" and "deferral exemptions", a compounding apportionment methodology, membership testing periods for trust beneficiaries and members, an apportioned indexation factor for individuals with mixed residency, and a substantial body of amendments integrating attribution managed investment trusts into the regime.

Meaningful feedback on provisions of this kind requires practitioners to apply the rules against real client structures. A period of this length does not allow that work to be done properly, and it risks technical defects going unidentified until after enactment, when they are far more costly to correct. This continues a pattern we raised in our submission to the Senate Economics Legislation Committee on the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026, where the compressed timeframe and limited prior consultation were central concerns.

Recommendation 1

Consultation on legislation of this complexity should be open for a minimum of four to six weeks.

2. Sequencing of the remaining tranches — consolidation and rollovers

The Government has indicated that further tranches of legislation will follow, including measures dealing with the interaction of the reforms with the tax consolidation regime and with CGT rollovers and similar concessions, as well as the treatment of small business and start-up capital gains.

The consolidation and rollover interactions are among the most complex in the entire regime. Applying a deemed sale, an apportionment, indexation and a minimum tax across consolidated groups engages the single entity rule, the entry and exit allocable cost amount calculations, and the cost-setting rules — and does so for a very large population of grouped taxpayers. Likewise, the CGT rollovers determine when, and at what cost, an asset is taken to have been acquired, which directly drives the pre- and post-1 July 2027 apportionment. These interactions cannot be assessed in isolation from the rules in the current tranche.

Given the fixed commencement of 1 July 2027, it is essential that the tranche dealing with consolidation and rollovers is released early enough, and consulted on for long enough, to allow proper analysis and system readiness.

Recommendation 2

The Government should:
(a) publish a timetable for all remaining tranches;

(b) provide an extended consultation period for the tranche dealing with tax consolidation and CGT rollovers; and

(c) defer the 1 July 2027 commencement date if the remaining tranches cannot adequately be finalised with adequate lead time for taxpayers, advisers and software providers.

3. CGT apportionment methodology

3.1 The apportionment method is more complex than it needs to be

The Exposure Draft apportions a capital gain between the pre- and post-1 July 2027 periods using a deemed compounding return model. A constant daily growth rate is derived from the asset's cost base and its value at the realisation event, and that rate is applied to grow the cost base forward to 30 June 2027. The pre-2027 portion of the gain is the difference between that notional 30 June 2027 amount and the original cost base.

The purpose of an apportionment formula is to spare taxpayers the cost of a retrospective valuation at 30 June 2027. The method in the Exposure Draft does not achieve that purpose. It is a nine-step calculation that requires the taxpayer to compound a daily growth rate over the entire period the asset was held. In practice, this asks a person who has sold the family farm, or an inherited painting, to perform a calculation that most taxpayers cannot complete without professional assistance. A formula that people cannot apply on their own does not deliver the compliance saving it was designed to provide.

The method is also circular in its timing. Because the formula takes the final sale price as an input, a taxpayer cannot work out their 1 July 2027 cost base until the day they sell. The reset cost base is never a fixed, knowable figure; it can only be determined retrospectively at the point of disposal, which undermines any ability to plan or to report an interim position.

The added complexity also does not result in accuracy. Where most of an asset's growth occurred before 30 June 2027, the compounding method allocates a smaller share of the gain to the discount period than the economics warrant. That outcome pushes affected taxpayers towards obtaining a valuation to achieve a fairer result — the very compliance cost the instrument exists to avoid — and, because the transition falls on a single date, 30 June 2027 would become a valuation event across the entire economy at once.

3.2 The method produces distorted outcomes, particularly for interests in entities and other low-cost-base assets

Because the model compounds a growth rate off the original cost base, it produces materially different outcomes for economically equivalent transactions, depending on whether the asset sold is an underlying asset or an interest in the entity that holds it. Private companies and unit trusts are routinely capitalised with nominal share or unit capital — often $1 or $100 — with the balance of their funding advanced by way of loans. Applied to a nominal cost base, the compounding method allocates virtually none of the gain to the pre-1 July 2027 period. That result is not driven by anything economic; it follows simply from the share or unit capital being nominal. The following example illustrates the distortion.

Example: property unit trust. A property unit trust acquires commercial property on 1 July 2025 for $1 million. The trust is capitalised with a single $1 unit held by individual A, with the balance of the purchase price funded by a $500,000 bank loan and a $500,000 loan from individual A. On 30 June 2029, individual A can either cause the trust to sell the property for $2 million, or sell the units for $1 million (with the purchaser assuming the trust's $1 million debt). In both cases individual A realises the same $1 million economic gain.

The calculation using the proposed CGT apportionment methodology results in the following outcomes:

Step	Sale of property	Sale of units
Step 1 — Pre-start date cost base	$1,000,000	$1
Step 2 — Total growth rate	$2,000,000 / $1,000,000 = 2	$1,000,000 / $1 = 1,000,000
Step 3 — No. of days held	1,461 total; 731 to 30/6/27	1,461 total; 731 to 30/6/27
Step 4 — Daily growth rate	2^(1/1,461) - 1 = 0.000475	1,000,000^(1/1,461) - 1 = 0.009501
Step 5 — Pre-start date capital proceeds	1,000,000 x (1.000475)^731 = $1,414,549	1 x (1.009501)^731 = $1,004
Step 6 — Pre-2027 deferred gain	**$414,549 (less discount)**	**$1,003**
Step 7 — 2027 cost base	$1,414,549	$1,004
Step 8 — Indexed cost base	$1,414,549 + indexation	$1,004 + indexation
Step 9 — Post-2027 capital gain	**$585,450 (less indexation)**	**$998,995 (less indexation)**
Total capital gain	$1 million	$1 million

The two paths produce very different results – the sale of the property using the apportioning methodology achieves a lower tax outcome (assuming a post CGT property) than a sale of the units. On the sale of units, the pre-2027 gain eligible for the CGT discount is just $1,003, compared with $414,549 on the sale of the property — some $206,773 more of the pre-2027 gain is denied the discount. The post-2027 gain on the units ($998,995) is also indexed from a negligible cost base, producing a much larger taxable gain than on the property.

The reason is that the value of shares or units at 30 June 2027 is affected by many factors that have nothing to do with the growth in value of the underlying assets, including:

- the timing of cash retentions;
- the payment of dividends, returns of capital or share buy-backs;
- the acquisition or divestment of underlying assets or businesses (whether funded by debt, equity or retained profits);
- one-off, asset-specific events, such as contingent liabilities arising from litigation;
- interest-free or non-arm's-length loans with related entities; and
- control or liquidity discounts and premiums.

Private companies and unit trusts are typically established with minimal share or unit capital, with funding advanced by way of loans that are repaid over time from business cashflows. This issue will therefore affect most small businesses operated through a company or unit trust. While the compounding model has the advantage of avoiding a formal valuation — the cost of which, for a private company, can run to several thousand dollars given the entity-specific factors involved — it achieves that saving only by producing inequitable and inconsistent outcomes for low-cost-base assets.

3.3 A straight days-held apportionment is simpler

A straight days-held apportionment of the overall capital gain would be a simpler approach to the compounding model. It removes the need for a retrospective valuation, it is straightforward for taxpayers to apply and for the ATO to administer, and it produces a more sensible answer. It also produces a different result: our analysis of Treasury's own worked example — the artwork in Example 1 of the Explanatory Statement — indicates that a days-held apportionment would place more than $126,000 of the gain in the discounted (pre-1 July 2027) period.

Recommendation 3

A straight days-held apportionment of the overall capital gain should be adopted — as the method for shares, interests in trusts and other assets that typically have a low cost base (including goodwill in a privately owned business), and as an alternative available to all taxpayers. It removes the need for a retrospective valuation, is simpler to apply and to administer, and avoids the distortions the compounding method creates. The steps could be:

- **Step 1 —** determine the cost base and reduced cost base of the CGT asset as at 30 June 2027 (the pre-start date cost base and pre-start date reduced cost base);
- **Step 2 —** determine the total number of days the asset was held (from first acquisition to the realisation event) and the number of days held to 30 June 2027;
- **Step 3 —** determine the pre-start date capital proceeds by apportioning the capital proceeds to the pre-1 July 2027 period, based on the number of days held to 30 June 2027 relative to the total number of days held; and
- **Steps 4 to 7 —** as per steps 6 to 9 of the Exposure Draft model.

3.4 The compounding methodology does not correctly reflect all CGT events

Taxation Ruling TR 95/35 sets out the CGT consequences of compensation receipts. While the Commissioner's preferred approach is to allocate a compensation amount to an underlying asset, in some cases the relevant CGT asset is the "right to seek compensation". As Example 8 of that ruling illustrates, this right is acquired when the relevant act or event became apparent, which may be before 30 June 2027. The cost base of the right is generally nil, or limited to the legal costs of pursuing the claim.

Where such a claim is settled after 30 June 2027, the compounding apportionment would attribute substantially all of the gain to the post-1 July 2027 period, even though the gain in substance accrued before that date. The right may also be difficult to value at 30 June 2027, given the uncertainty of the outcome at that time.

Recommendation 4

Where a CGT event C2 happens in relation to the disposal of a right to seek compensation, the gain should be attributed to the period in which the relevant act, transaction or event became apparent.

3.5 Subsequent amendments to the overall capital gain

A capital gain or loss may be amended after the income tax return for the relevant year has been lodged — for example, on the receipt of payments under a look-through earnout arrangement, the crystallisation of additional cost base items, or the recoupment of amounts included in the original gain. The Exposure Draft is silent on whether the original apportionment must be revisited in these circumstances.

Recommendation 5

Taxpayers should be able to choose whether to revisit the original apportionment where the capital gain or loss is amended as a result of an event occurring after the lodgement day for the relevant year. Where a taxpayer chooses not to revisit the apportionment, the whole of the adjustment should be applied against the post-30 June

2027 capital gain.

4. The 30% minimum tax and child maintenance trusts

Proposed section 119-20 creates an exception, for capital gains relating to testamentary trusts, deceased estates and special disability trusts, from the operation of the 30% minimum tax on capital gains. The effect is to preserve the existing concessional CGT treatment of these gains, rather than subjecting them to the new indexation and minimum tax rules. The common feature of the testamentary trust and deceased estate categories is that the relevant amounts are “excepted trust income” under section 102AG(2)(a) of the Income Tax Assessment Act 1936.

Child maintenance trusts share that feature. Income of a child maintenance trust is excepted trust income under section 102AG(2)(c) of that Act, as it relates to property transferred for the benefit of the beneficiary as a result of a family breakdown within the meaning of section 102AGA. Child maintenance trusts are genuine, and frequently court-sanctioned, arrangements established to provide for the maintenance of minor children following the breakdown of their parents’ relationship. They are not tax-driven structures, and they are subject to the same anti-avoidance framework in Division 6AA as the categories already covered by section 119-20.

The omission is significant because the minimum tax operates to impose a minimum effective rate on real capital gains. Excepted trust income of a minor is otherwise taxed at ordinary adult marginal rates rather than the penalty rates in Division 6AA. For a minor beneficiary of a child maintenance trust, the minimum tax would override the benefit of those ordinary rates, so that a capital gain supporting a child’s maintenance is taxed more heavily than under current law — and more heavily than an economically equivalent gain made through a testamentary trust or a special disability trust. There is no policy basis for that distinction.

Recommendation 6

Proposed section 119-20 should be extended to include capital gains that a beneficiary makes in relation to assessable income that is excepted trust income of a child maintenance trust under section 102AG(2)(c) of the Income Tax Assessment Act 1936, subject to the same anti-avoidance conditions that apply to the other categories in that section.

Further comments

The compressed timeframe has necessarily limited the scope of this submission.

In addition, Appendix A sets out a number of technical and drafting corrections that we have identified in the exposure draft legislation and the accompanying explanatory materials.

If you have any queries, contact Jenny Wong, Tax Policy Lead on jenny.wong@cpaaustralia.com.au.

Yours sincerely,

Jenny Wong
Tax Policy Lead

Appendix A

This appendix sets out technical and drafting matters identified in our review of the exposure draft legislation and the accompanying explanatory materials. Our review of the explanatory materials was necessarily limited by the consultation timeframe and is not exhaustive. We would be pleased to provide further examples on request.

CGT adjustments (tranche 2)

Drafting errors		
Item 1 — s 102-6(2), definition of post-July 2027 ownership period, para (d)	Reads "…is on or after 1 July 2027, and as ends on the day the CGT event happens". The word "as" is superfluous. The parallel pre-July 2027 definition inserted by item 2 reads correctly as "(d) ends on 30 June 2027".	Delete "as" so para (d) reads "…and ends on the day the CGT event happens".
Items 47 and 52 — ss 115-103(3)(c) and 115-126(5)(c)	Paragraph (c) refers to "the trust's capital gain was made indirectly", but the operative tests (ss 115-103(1)(c), 115-126(2)(c)) and the mirror paragraph (b) in each section refer to "the other trust's" capital gain. The individual-level equivalents (ss 115-102(5), 115-125(6)) correctly use "the trust's" throughout, indicating a copy-paste slip in the trust provisions.	Insert "other" in each paragraph (c) so it refers to "the other trust's capital gain".
Clarification recommended		
Item 34 — s 112-190, table item 2 and subsection (2)	Table item 2 excludes replacement-asset roll-overs "covered by paragraph 115-34(1)(c)", but subsection (2) provides that item 2 applies to all such roll-overs "including those covered by paragraph 115-34(1)(c)" for the purposes of the affected provisions. As item 2 only ever operates for the affected provisions, subsection (2) appears to negate the exclusion, leaving it with no work to do.	Confirm the intended interaction; if the exclusion in item 2 is redundant, remove it.
Item 69 — s 960-275(1D)(b)	The condition "the individual is not an Australian resident of a kind that is not a temporary resident" is a triple negative that is difficult to parse. It is understood to mean that the individual is a foreign resident or a temporary resident.	Redraft in plain language, e.g. "during some or all of that period the individual is a foreign resident or a temporary resident".
Explanatory materials - drafting errors		
Apportionment determination, Explanatory Statement, method statement (step 6)	The description of step 6 refers to "the deemed disposal on 30 July 2027". The deemed disposal occurs just before 1 July 2027, i.e. on 30 June 2027 (as stated correctly elsewhere).	Correct "30 July 2027" to "30 June 2027".
Apportionment determination, Explanatory Statement, Application (s 5(1))	The cross-reference to "subsections 112-115(2), 112-165(2) and 112-175(2)" is incorrect. The deemed sale for individuals is in s 112-155(2); s 112-155 is cited correctly elsewhere in the Statement (e.g. in the description of steps 5 and 6).	Correct "112-115(2)" to "112-155(2)".
CGT adjustments EM, paragraph 1.106 (commencement)	States commencement on "the first 1 January, 1 April, 1 July or 1 April". "1 April" is duplicated and "1 October" is omitted. The Bill's commencement table refers to "1 January, 1 April, 1 July or 1 October".	Replace the second "1 April" with "1 October" to align with the Bill.
CGT adjustments EM, paragraphs 1.78 and 1.81	Both refer to "paragraph 102AG(2)(a) of the ITAA 1997". Section 102AG is in the ITAA 1936, as correctly cited at paragraphs 1.74 and 1.79.	Correct the Act reference in each case to the ITAA 1936.
CGT adjustments EM, paragraph 1.95	The bracketed citation reads "Schedule 1, items 69, 68, 69, 70 and 71". Item 69 is duplicated and out of order; the sub-heading amendments referred to are items 67, 68, 70 and 71 (with 960-275(1D) and (1E) at item 69).	Correct the citation to "items 67, 68, 69, 70 and 71".

CGT apportioning method

Apportionment determination, Explanatory Statement, Example 1 (artwork — gain)	The arithmetic is internally correct. However, the example illustrates the methodological concern in section 3: the compounding method allocates only $471,430 of the gain to the discounted (pre-1 July 2027) period, whereas a straight days apportionment would allocate approximately $597,600 — some $126,000 more. Separately, the growth rate in step 2 is calculated on the first element of the cost base only ($520,000), while the step 6 gain is measured against the full pre-start cost base ($522,000); this internal inconsistency is magnified for assets with material second- or fourth-element costs.	Adopt a straight days apportionment (Recommendation 3), and align the cost base used in steps 2 and 6.
Apportionment determination, Explanatory Statement, Example 2 (artwork — loss), Steps 8 and 9	Indexation is incorrectly applied to the reduced cost base. Step 8 states that the post-start date cost base and post-start date reduced cost base are both $561,117.07, being $469,539.06 × (125.45 ÷ 105.54) + $3,000. Step 9 then uses that indexed figure to produce a capital loss of $121,117.07. A reduced cost base does not include indexation, and the Note to Step 8 of the instrument refers only to the cost base being indexed under s 110-36(1A). The correct post-start date reduced cost base is $472,539.06 (unindexed), giving a capital loss at the realisation event of $32,539.06. The example as published therefore produces a total capital loss of $173,578.01 against an actual economic loss of $85,000 — an overstatement of $88,578.01, being the indexation uplift on the pre-start date capital proceeds.	Correct Example 2 so that Step 8 reports the post-start date cost base and post-start date reduced cost base as separate amounts, with only the former indexed. Amend Step 9 to show a capital loss of $32,539.06, reconciling to the economic loss of $85,000. Amend Step 8 of the method statement in s 5(3) of the instrument to state expressly that the post-start date reduced cost base does not include indexation.

Negative gearing (tranche 2)

Subsection 26-158(1)	**The cross-reference does not support the coverage the provision contemplates.** Subsection 26-158(1) contemplates a transferor that is "a company or trustee", but conditions the section on an order, agreement or award "of a kind mentioned in paragraphs 126-5(1)(a) to (f)". Section 126-5 governs transfers between individuals. Transfers from a company or trustee to a spouse or former spouse are dealt with under section 126-15, which sets out its own trigger events rather than adopting subsection 126-5(1) by reference. It is not clear that a section 126-15 transfer answers the description in subsection 26-158(1).	Amend subsection 26-158(1) to refer to an order, agreement or award of a kind mentioned in paragraphs 126-5(1)(a) to (f) or section 126-15, or otherwise confirm expressly that company and trustee transfers are within scope.
Section 26-159	**Main residence cases are excluded from the capital gains extension.** Section 26-159 applies only where a dwelling is taken to be a new residential dwelling under subsection 26-156(3), 26-157(3) or 26-158(3). It does not extend to a dwelling preserved as a new residential dwelling by new subsection 26-155(3AB). A main residence first used to produce assessable income is therefore protected for loss quarantining purposes but not for the purposes of subparagraph 115-102(1)(c)(i).	Extend section 26-159 to dwellings preserved by subsection 26-155(3AB), or explain in the explanatory material why the different treatment is intended.

Beneficiaries with no pre-existing ownership interest are excluded	Paragraph 26-157(1)(a) requires the survivor to already hold an ownership interest in the same residential dwelling. A non-spouse beneficiary who inherits a rental property from a sole owner, or a tenant-in-common share from a co-owner without themselves being a co-owner, receives no relief. Paragraph 1.11 of the explanatory material states that the amendments apply "in a tenants-in-common arrangement where one of the tenants leaves their share to another individual in their will", which suggests broader coverage than section 26-157 delivers.	Extend section 26-157 to beneficiaries without a pre-existing ownership interest, or correct paragraph 1.11 and explain the policy basis for the distinction. Adult children inheriting a parent's investment property are the ordinary case, and are presently outside the exception.
Survivors who acquired their own interest after Budget night lose relief entirely	Paragraph 26-157(2)(a) requires the survivor's existing ownership interest to have been acquired before 7.30pm (AEST) on 12 May 2026. Where the deceased was eligible but the survivor acquired later, no relief flows on the inherited portion. By contrast, section 26-156 gives a surviving spouse relief regardless of when, or whether, they held an ownership interest.	Apply the test to the deceased's ownership interest only, consistent with section 26-156, so that the inherited portion carries the deceased's treatment.
No provision for the estate during administration	Sections 26-156 and 26-157 operate on acquisition by a surviving joint tenant, or on the ownership interest passing to a beneficiary. Neither addresses the legal personal representative holding and letting the dwelling during administration, which can extend well beyond an income year. Nor is it clear that "passes" in section 128-20 is satisfied where the interest passes to a testamentary trust rather than to a beneficiary directly.	Extend the exceptions to legal personal representatives during the administration of an estate, and confirm the treatment of testamentary trusts.
Commencement is not aligned to the operative rules	Schedule X commences on the first 1 January, 1 April, 1 July or 1 October to occur after Royal Assent. Section 26-155 applies from 1 July 2027, and the Budget-night test dates from 12 May 2026. If Royal Assent is delayed, deaths and relationship breakdowns occurring in the interim fall within section 26-155 without the benefit of the extensions.	Apply Schedule X to income years commencing on or after 1 July 2027 regardless of the date of Royal Assent, consistent with the Tax Reform No. 1 Act.
The forward work program is incomplete	Paragraph 1.44 flags adjusted taxable income, general law partnerships and companies, and listed investment companies as matters for later amendment..	Confirm the full forward work program and its timing. Taxpayers are being asked to plan around 1 July 2027 while material elements of the regime remain unwritten.
Explanatory Memorandum, paragraph 1.32	Paragraph 1.32 says that the amendments ensure subsections 128-15(2) and 128-50(2) "apply to prevent" section 26-157(2) and (3) from deeming the survivor's acquisition. Subsection 26-157(4) does the opposite. It requires those subsections to be disregarded, so that the deeming can operate. The equivalent passage for subsection 26-156(4) at paragraph 1.26 is described correctly. As drafted, paragraph 1.32 advises the reader that the exception does not work.	Redraft paragraph 1.32 to mirror paragraph 1.26: the acquisition timing rules in subsections 128-15(2) and 128-50(2) are switched off so that the survivor is taken to have acquired the deceased's ownership interest at the same time as the deceased, or the dwelling is taken to be a new residential dwelling in relation to the survivor.
Explanatory Memorandum,	Paragraph 1.39 states that section 26-159 preserves the CGT discount (section 115-102), cost base indexation (sections 114-30 and 115-102), the deemed sale and reacquisition rule, and the non-	Confirm the intended scope. If paragraph 1.39 reflects policy intent, section 26-159 requires extension to those provisions. If

paragraph 1.39, and section 26-159	application of the 30 per cent minimum tax (section 119-5). Section 26-159 as drafted operates only for the purposes of subparagraph 115-102(1)(c)(i). It does not touch sections 114-30 or 119-5, or the deemed sale and reacquisition provisions.	the provision is correct as drafted, paragraph 1.39 should be corrected. The mismatch will otherwise drive divergent positions on assets that may not be realised for decades.
Explanatory Memorandum, paragraph 1.39	Incorrect provision references. Paragraph 1.39 cites "sections 112-115 and 112-165" for the deemed sale and reacquisition rule. The relevant provisions are sections 112-155, 112-165 and 112-175, as confirmed by subsections 5(1)(b) and 5(2)(b)(ii) of the apportionment determination. We note that the identical 112-115 / 112-155 error appears at page 4 of the explanatory statement to the apportionment determination, indicating a consistent error across the consultation package rather than an isolated typographical slip.	Correct in both instruments.
Explanatory Memorandum, paragraph 1.15 (all three bullets)	Incorrect subsection reference, and a condition described that the law does not contain. Each bullet refers to an interest that "was exempt from loss quarantining in subsection 26-155(1)". Subsection 26-155(1) imposes the quarantining rule; the exceptions are located in subsection 26-155(2). Separately, none of sections 26-156, 26-157 or 26-158 requires the predecessor's interest to have been actually exempt. The operative tests are acquisition before Budget time, or new residential dwelling status.	Correct the cross-reference to subsection 26-155(2), and align the description with the operative tests in the exposure draft.
Explanatory Memorandum, paragraph 1.5	Incorrect cross-reference. The bracketed reference to "item 1 of the table in section 109-5(1)" should be to subsection 109-5(2), as the same paragraph correctly states two sentences earlier.	Correct the cross-reference.
Explanatory Memorandum, paragraph 1.38	Section 26-159 contains no subsections. The bracketed reference to "subsection 26-159 of the ITAA 1997" should read "section 26-159", as it correctly does at paragraph 1.39.	Correct the cross-reference.