CAPITAL GAINS TAX

SYMES ACCOUNTANTS
BUSINESS & PERSONAL ADVISORS

Frequently Asked Questions: Rental Properties

Capital Gains Tax (CGT) is the tax applicable to any capital gain made on selling your rental property. The CGT rules apply to any asset purchase after 19 September 1985.

What is the Capital Gain?

Capital Gain is essentially the difference between the Net Sale Price and the Cost of Purchase (or Cost Base) of a property.

SALE PRICE
(LESS EXPENSES)

Conveyancer & Legal Fees
Agent Commissions

less

COST OF PURCHASE
(COST BASE)

Purchase Price
Stamp Duty & Transfer Fees
Building Inspection

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CAPITAL GAINS

What is the Taxable Capital Gain?

Applicable from contract date to contract date (not settlement date). For assets held;

Assets ≤ 12months:	taxable capital gain = capital gain
Assets > 12months	individual or trust = 50% discount applies superannuation fund = 1/3 discount applies Company = nil discount

What tax rate applies?

Taxable capital gain is added to any other income for the year of the CGT event and Taxed at your marginal rate. There is no set rate.

When is the CGT event, and what year do I have to include it in my tax return?

Capital gains tax applies in the financial year a capital asset is sold. The date of the actual **contract** is the purchase or sale date for capital gains purposes, not the settlement date. This can become relevant for sales made towards the end of the financial year, which settle in the next financial year.

CAPITAL GAINS TAX: RENTAL PROPERTIES

What if I gift a property to a family member, or transfer it to a trust or other entity?

This will not exempt you from CGT, except in limited circumstances eg: upon marriage or relationship breakdown or via your will upon your death.

The "Sale Price" will be deemed to be the market value at the time of the transfer of the property.

What if I make a Capital Loss ie: sale proceeds less than cost base?

The capital loss **cannot** be offset against other income, only against another capital gain.

A capital loss is applied to the gross capital gain, with the net result then having any applicable discount applied to it to calculate your taxable capital gain.

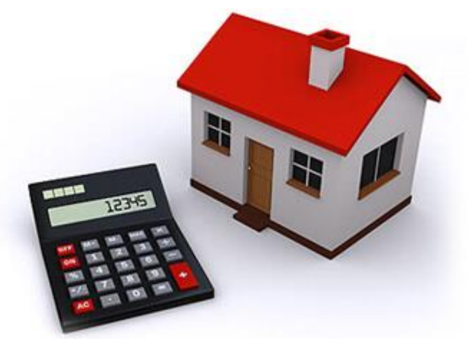
However, the capital loss can be carried forward indefinitely to be offset against a future capital gain.

How can I minimise my tax on a Capital Gain?

Keep good records of all costs associated with the purchase of the property, and for any improvements you make while you own it.

Keep track of your capital losses in order to be able to utilise them in future years.

Seek professional advice.



What if I use the property first as my main residence, then move out and rent it?

Your Main Residence (your home) is generally exempt from CGT, if used only as your home for the term of ownership.

If you move out and rent it, you can nominate your home as your Principle Residence for up to 6 years under the Temporary Absence rule.

You can only have one Main Residence at a time.

If you buy a new Main Residence and move into that one, then you can get reset the cost base of your original home for CGT purposes by getting a valuation as at the time it is first rented.

What if I own a rental property, and then move into it to make it my Main Residence?

You may be partially exempt from CGT.

The Capital Gain will be worked out by comparing the number of days you lived in (exempt) and rented (taxable) the property over the total number of days you owned it.

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