



Australian Government
Australian Taxation Office

Capital gains tax

and the main residence exemption



Eligibility for the main residence exemption

Your main residence (your home) is generally exempt from capital gains tax (CGT) if you meet the following conditions.

You are an Australian resident and the dwelling:

- has been the home of you, your partner and other dependants for the whole period you have owned it
- hasn't been used to produce income – meaning you haven't run a business from it or rented it out
- hasn't been used in a profit-making activity – 'property flipping' (where the property was bought to renovate and sell at a profit)
- is on land of 2 hectares or less.

If you meet the eligibility conditions, you can claim a full main residence exemption and don't pay tax on any capital gain when a [CGT event](#) happens (for example, you sell it) and you ignore any capital loss.

If you don't meet all these conditions, you may still be entitled to a partial main residence exemption. If this happens, you need to report capital gains or losses and the main residence exemption in your tax return.

What is a main residence?

Generally, a dwelling is considered to be your main residence if:

- you and your family live in it
- your personal belongings are in it
- it is the address your mail is delivered to
- it's your address on the electoral roll
- services such as gas and power are connected.

To be your main residence, your property must have a dwelling on it and you must have lived in it.

You can only have one main residence for the same period, except where you acquire a new home before you dispose of your old one. You can treat both as your main residence for up to 6 months.

What is a dwelling?

A dwelling is anything used wholly or mainly for residential accommodation, such as:

- a house or cottage
- an apartment or flat
- a strata title unit
- a unit in a retirement village
- a caravan, houseboat or mobile home.

When to report your capital gain, loss or main residence exemption

When you sell your property, the date of the [CGT event](#) is the date you sign the contract of sale – not the date of settlement.

For example, a contract signed on 29 June 2023, but settled on 1 August 2023 needs to be reported in the 2022–23 income year.

In your tax return in the same income year as your contract of sale, you report:

- the capital gain or capital loss
- if you're claiming the main residence exemption.

Main residence exemption eligibility – common scenarios

Use this list of common scenarios to find out about eligibility to a main residence exemption and what you need to report in your tax return when you have sold your property.

Common scenarios for eligibility to the main residence exemption and what to report in your tax return when you sell your property

Scenario... During property ownership period	Eligibility for main residence exemption (MRE)	What to include in your tax return
You lived in your home the entire time you owned it, but your home is on more than 2 hectares of land	You're eligible to claim a partial MRE for the area your house is on up to 2 hectares of land. The rest of the property is subject to CGT. For more information, see Home on more than 2 hectares.	Report MRE. Report CGT gain or loss amount.
You lived in the property before renting it out for 6 years or less	You may elect to claim a full MRE, but you can't claim the exemption for another property for the same period. If you make the choice to continue to treat your former home as your main residence, and you rented it out for 6 years or less until its sale, include the MRE in your tax return. For more information, see Treating former home as main residence.	Report MRE.
You first lived in the property and then rented it out for more than 6 years	You're eligible for a partial MRE. You can choose to treat the property as your main residence for the period you lived in it and the first 6 years you rented it out, but you can't claim the exemption for another property for the same period. CGT must be applied for the remaining time you rented out the property until its sale. For more information, see Treating former home as main residence.	Report MRE. Report CGT gain or loss amount.
You rented the property out before you moved into it	You're eligible for a partial MRE. CGT must be applied to the period you rented it before living in the property. This includes when tenants remain in the property after settlement. For more information, see Using your home for rental or business.	Report MRE. Report CGT gain or loss amount.
You used part of your home to earn rental income	You're eligible to claim a partial MRE for the part of your home not used to produce assessable income. This includes renting part of your property on a sharing economy platform (for example Airbnb or Stayz). For more information, see Using your home for rental or business.	Report MRE. Report CGT gain or loss amount.
You used part of your home to run a business	You're eligible to claim a partial MRE for the part of your home not used to produce assessable income. You are running a business from home if it is your principal place of business and you have a space set aside just for this purpose. Merely working from home occasionally does not qualify. For more information, see Using your home for rental or business.	Report MRE. Report CGT gain or loss amount.

Common scenarios when you sell your property and are not eligible for the main residence exemption and what to report in your tax return

Scenario... During property ownership period	Eligibility for main residence exemption (MRE)	What to include in your tax return
<p>You own your home and a holiday house</p>	<p>If you own 2 homes at the same time – for example, your home and a holiday house - you can only apply the MRE to one property at a time.</p> <p>A holiday house can only be treated as your main residence if you move into the property and live in it as your main residence.</p> <p>If you are intending to claim a full MRE for your home when you sell it, you need to report a capital gain or loss when you sell your holiday house.</p> <p>For more information, see Holiday homes.</p>	<p>Report MRE</p> <p>Report CGT gain or loss amount.</p>
<p>You rented the property and never lived in it</p>	<p>You're not eligible for the MRE.</p> <p>For more information, see CGT when selling your rental property</p>	<p>Not eligible for MRE.</p> <p>Report CGT gain or loss amount.</p>
<p>You bought vacant land with the intent to build a new home, but didn't build and sold it as vacant land</p>	<p>You're not eligible for the MRE if you sold vacant land, even if your intention was to build a home on it.</p> <p>For more information, see:</p> <ul style="list-style-type: none"> • Eligibility for main residence exemption • Vacant land and subdividing. 	<p>Not eligible for MRE.</p> <p>Report CGT gain or loss amount.</p>
<p>You demolished your home and sold the property as vacant land.</p>	<p>You're not eligible for a MRE when you sell vacant land, even if you lived in the house as your main residence before demolishing it.</p> <p>For more information, see Vacant land and subdividing.</p>	<p>Not eligible for MRE.</p> <p>Report CGT gain or loss amount.</p>
<p>You subdivided a property and sold the new subdivision as vacant land.</p>	<p>You're not eligible for the MRE if you subdivide a block and sell as vacant land.</p> <p>For more information, see Subdividing and combining land.</p>	<p>Not eligible for MRE.</p> <p>Report CGT gain or loss amount.</p>
<p>You subdivided the property your home is on and built a house on the new subdivision then sold it.</p>	<p>You're not eligible for a MRE when you sell the new subdivided property.</p> <p>For more information, see Subdividing and combining land.</p>	<p>Not eligible for MRE.</p> <p>Report CGT gain or loss amount.</p>

Scenario...

During property ownership period

Eligibility for main residence exemption (MRE)

What to include in your tax return

You're a foreign resident and sold your property after 30 June 2020.

You're not eligible for a MRE unless you satisfy the life events test. This is even if you were a resident for some of the time you owned the property.

For more information, see [Main residence exemption for foreign residents](#).

If you don't satisfy the life events test:

- you're not eligible for MRE
- report CGT gain or loss amount
- claim any CGT foreign resident withholding credit.

If you satisfy the life events test:

- report MRE
- claim any CGT foreign resident withholding credit.

Common scenarios when you sell your home and are eligible for a full main residence exemption

Scenario...

During property ownership period

Eligibility for main residence exemption (MRE)

You lived in your home the entire time you owned it, and did not earn any income from renting it or running a business from home

You're eligible to a full MRE.

For more information, see [Eligibility for main residence exemption](#).

You moved into your new home before selling your old home.

You're eligible to a full MRE.

You can treat both properties as your main residence for up to 6 months when you acquire a new home before you sell your old one.

For more information, see [Moving to a new main residence](#).

You occasionally work from home, but your home is not your place of business.

You're eligible to a full MRE.

Occasional work from home is treated differently to running a business from your home.

If you're not entitled to deduct interest and other occupancy expenses, working from home doesn't affect your eligibility for the MRE.

For more information, see [Using your home for rental or business](#).

Scenario...

During property ownership period

Eligibility for main residence exemption (MRE)

You are an Australian resident, and you inherited the property from an Australian resident.

You're eligible to a full MRE if the property was the deceased person's main residence prior to their death and you dispose of the property within 2 years. This includes if you rent it out during the 2 years after their death.

For more information the tax implications of deceased estate residences, see [Inherited property and CGT](#).

You built or renovated your home on land you own.

You're eligible to a full MRE for up to 4 years before you move in.

- You must move into your home as soon as practicable after it's finished
- You must continue to use it as your main residence for at least 3 months
- You can't claim the exemption for another property for the same period.

For more information, see [Building or renovating your home](#).

You demolished your home and built a new one.

You're eligible to a full MRE.

If the home was originally your main residence, you knocked it down and rebuilt within 4 years and moved back in, you can apply the MRE from the date your original home was purchased.

You can't claim a MRE for another property for the same period.

For more information, see [Building or renovating your home](#).

You subdivided your property and remained in your original residence.

You're eligible to a full MRE.

You will be required to report a capital gain or loss on the subdivided land, but not your original main residence.

For more information, see [Subdividing and combining land](#).

Your home is accidentally destroyed (for example, by a natural disaster) and you sell the vacant land.

You're eligible to a full MRE as the land is treated as if the home wasn't destroyed. If you acquire a new home before you dispose of the land, you can treat both as your main residence for up to 6 months.

For more information, see [Destruction of your home](#).

You create a granny flat arrangement involving your main residence

You're eligible to a full MRE

The creation, variation or termination of a granny flat arrangement does not affect the main residence exemption. This is because the granny flat arrangement is a right to occupy the property, not a right to the property itself.

For more information, see [Granny flat arrangements and CGT](#).



This is a general summary only.

Download our Rental properties guide at ato.gov.au/rentalpropertyguide

Read our Capital gains tax guide at ato.gov.au/cgtguide

