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2025 Tax Time toolkit for investors

We're here to help
you with this year's
Tax Time toolkit.



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Welcome to the Investors toolkit for 2025

Our investors toolkit is a resource for anyone earning money from their investments, whether you invest in property, shares or crypto assets.

Investors directory for tax time

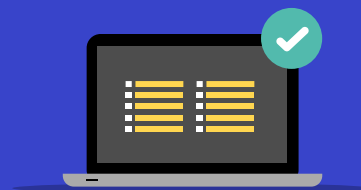
We have a range of other information, tools and services available to help Australians prepare and lodge their tax return every year:

- [Investments and assets](#) – find out what you need to declare and what you can claim for your investments, including rental properties, shares and crypto assets.
- [Capital gains tax \(CGT\)](#) – how to calculate capital gains and losses on assets affected by CGT and the CGT discount.
- [Rental properties guide](#) – a guide on how to treat rental property income and expenses, includes the list of depreciating assets for rental properties.
- [Capital gains tax personal investors guide](#) – use this guide for personal investments like shares, units or managed funds.
- [Capital gains tax guide](#) – how CGT works and help to calculate net capital gains or losses.
- [Rental property video series](#) – videos to help understand your tax obligations when owning a rental property.



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Top 10 tips for rental property owners



If you use a tax agent or choose to lodge your tax return yourself, avoiding these common mistakes will save you time.

1. Getting initial repairs right

Initial repairs include any maintenance or improvements prior to getting tenants in. They include existing damage or work required when you bought the property, even if you don't fix the issues immediately. For example, replacing a broken window pane and repairing damaged floorboards.

You may be able to claim a deduction over several years as a capital works deduction. These costs and any unclaimed initial repair costs can be used to work out your capital gain or capital loss when you sell the property.

For more information, see ato.gov.au/rental/rental-top-10-tips

2. Getting purchase costs right

You can't claim deductions for the costs of buying your property. These include conveyancing fees and stamp duty (for properties outside the ACT).

These costs are added to the cost base and are used when working out if you need to pay capital gains tax when you sell.

3. Claiming interest on your loan

You can claim deductions for interest paid on:

- the principal amount borrowed on your rental property loan
- loans for things like repairs, maintenance and capital expenses relating to your rental property.

You can't claim interest on any part of the loan used to buy personal items, such as school fees or going on a holiday.

You must separate interest paid for your rental property, so you don't claim interest relating to private use.

For more information, see ato.gov.au/Rental/interest-expenses

4. Claiming borrowing expenses

If your borrowing expenses are over \$100, the deduction is spread over 5 years or the term of the loan, whichever is shorter. If they are \$100 or less, you can claim the full amount in the income year you incur the expense.

Borrowing expenses:

- include loan establishment fees, title search fees and costs of preparing, stamp duty on the mortgage and filing mortgage documents.
- **don't** include stamp duty charged by your state or territory government on the property title (this stamp duty is included in the property's cost for CGT purposes).

Remember to apportion your borrowing expenses in the first year based on the number of days you own the property.

- For more information and examples, see ato.gov.au/Rentalborrowingexpenses

5. Getting improvements and construction costs right

You can claim certain building costs, including extensions, alterations and structural improvements as **capital works** deductions from the date construction was completed.

Generally, you can claim a capital works deduction at 2.5% of the construction cost for 40 years.

Unclaimed capital works expenses can be included when working out your capital gain or loss when you sell or dispose of the property.

- For more information, see ato.gov.au/Rentalrepairsfactsheet

6. Claiming body corporate fees

Body corporate fees can consist of amounts that are treated differently, such as expense amounts and capital amounts. The amount you pay to your body corporate **administration fund** for your rental property is deductible in full in the year you incur it.

You can't claim an immediate deduction when your body corporate raises funds applied to a **special purposes fund** to pay for major capital improvements or repairs of a capital nature.

If the funds went to the special purpose fund to pay for a capital improvement, you may be able to claim a capital works deduction for your share of the expense once the work is complete. The cost must be charged to either the special purpose fund or the general purpose sinking fund, if a special contribution has been levied.

- For more information, see ato.gov.au/Rentalbodycorporate

7. Apportion correctly

You need to apportion expenses for any private use, such as, renting to family or friends below market rates or keeping it vacant for your private use. If you:

- use part of your property to earn rent, apportion based on area
- rent it out for part of the year, apportion based on days.

You need to apportion your income and expenses according to your ownership percentage of the property:

- as joint tenants your legal interest will be an equal split
- as tenants in common you may have different ownership interests.

8. Keeping the right records

You must have evidence of your rental property income and expenses to claim a deduction.

You need to consider capital gains tax (CGT) when you sell your rental property, so keep all records for the entire period you own it, and for 5 years from the date you sell it.

- Records you need to keep for ato.gov.au/rentalrecords

9. Selling your property

Foreign resident capital gains withholding (FRCGW) must be withheld on all real property (property) disposals and sales unless the vendor is:

- an Australian resident for tax purposes with a [clearance certificate](#)
- a foreign resident with a [variation](#) notice specifying a reduced rate of FRCGW.

Without a clearance certificate or variation notice, the purchaser must withhold up to 15% of the sale (or [market value](#) if not sold at arm's length).

Examples of types of property are vacant land, buildings, residential (including your home) and commercial property.

- For more information, see ato.gov.au/FRCGW

10. Getting your capital gains right when selling

When you sell your rental property, you may make a capital gain or a capital loss. Generally, this is the difference between:

- what it cost you to buy and improve the property
- what you receive when you sell it.

Don't include amounts already claimed as a deduction against rental income earned from the property, including decline in value (depreciation) and capital works.

Include your capital gain or loss in your tax return in the year you sign the sale contract. Capital losses can be carried forward to reduce capital gains in later years.

- For more information, see ato.gov.au/CGTpropertyale

i This is a general summary only.

For more information:

- see ato.gov.au/rental
- watch our short videos at ato.gov.au/rentalvideos
- download our Rental properties guide at ato.gov.au/RPguide
- read our Capital gains tax guide at ato.gov.au/cgtguide





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Rental interest expenses



You can claim interest paid on the amount borrowed, or a portion of it that relates to earning assessable income.

What you can claim

You can claim interest expenses you incur on the loan that you use to:

- buy a rental property
- buy a depreciating asset for the rental property (for example, a new air conditioner)
- make [repairs to the rental property](#) (for example, roof repairs due to storm damage)
- finance renovations to the rental property
- pre-pay expenses for the rental property up to 12 months in advance.

What you can't claim

You can't claim interest:

- for periods you use the property for private purposes, even if it's for a short time
- on any part of the loan
 - used for private purposes on the initial loan or if you refinance
 - that you redraw for private purposes, even if you're ahead in your repayments
- used to buy a new home if you don't use it to produce income, even if you use your rental property as security for the loan
- on funds used to buy [vacant land](#), until the time construction of your rental property is complete and available for rent.

If your loan was used to buy a rental property and something else, such as a car, you can't just repay the part relating to your personal purchase, even when you refinance. All loan repayments are apportioned across both purposes until all the loan has been repaid and you are no longer claiming interest expenses for that property.

Example: claiming share of interest incurred – joint borrowers and joint owners

Kosta and Jenny take out an investment loan for \$350,000 to buy an apartment they hold as joint tenants.

They rent out the property for the whole year from 1 July. They incur interest of \$30,000 for the year.

Kosta and Jenny can each make an interest claim of \$15,000 on their respective tax returns for the first year of owning the property.

Example: claiming part of the interest incurred

Yoko takes out a loan of \$400,000, with \$380,000 to be used to buy a rental property and \$20,000 to buy a new car.

Yoko's property is rented for the whole year from 1 July. Her total interest expense on the \$400,000 loan is \$35,000.

To work out how much interest she can claim as a tax deduction, Yoko must do the following calculation:

$$\begin{aligned} &\text{Total interest expenses} \times \\ &\text{(rental property loan} \div \text{total borrowing)} \\ &= \text{deductible interest} \\ &\$35,000 \times (\$380,000 \div \$400,000) \\ &= \$33,250 \end{aligned}$$

Yoko works out she can claim \$33,250 as an allowable deduction.

Example: interest incurred on a mortgage for a new home

Zac and Lucy take out a \$400,000 loan secured against their existing property to buy a new home.

Rather than sell their existing home they decide to rent it out.

They have a mortgage of \$25,000 remaining on their existing home, which is added to the \$400,000 loan under a facility with sub-accounts, this means the 2 loans are managed separately but are secured by the one property.

Zac and Lucy can claim an interest deduction against the \$25,000 loan for their original home as it is now rented out.

They can't claim an interest deduction against the \$400,000 loan used to buy their new home as it isn't being used to produce income, even though the loan is secured against their rental property.

This is a general summary only.

For more information:

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- download our Rental properties guide at ato.gov.au/RPguide
- read our Capital gains tax guide at ato.gov.au/cgtguide





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Rental borrowing expenses



Find out what borrowing expenses are and how to calculate them correctly.

What are borrowing expenses?

You incur borrowing expenses when you take out a loan to buy a rental property.

They include:

- loan establishment fees
- lender's mortgage insurance (insurance the lender bills to you)
- stamp duty you pay on the mortgage, (**not** stamp duty to transfer the property into your name – this is used to work out your cost base for capital gains tax purposes)
- title search fees your lender charges
- costs for preparing and filing mortgage documents (including solicitors' fees)
- mortgage broker fees
- fees for a valuation required for a loan approval.

Amounts that are not borrowing expenses

Borrowing expenses for a rental property **don't** include:

- the principal amount you borrow and any repayments
- interest expenses (claim these at **interest on loans**)
- annual loan package fees (claim these at **Sundry expenses**)
- insurance policy premiums that provide for your loan to be paid out if you die, become disabled or unemployed (this is a private expense and can't be claimed).

The following expenses are **not** borrowing expenses, however you can include them in the cost base for capital gains tax (CGT) purposes when you sell or dispose of your rental property:

- stamp duty
 - your state or territory government charges on the transfer (purchase) of the property title
 - you incur to acquire a leasehold interest in a property, such as an Australian Capital Territory 99-year crown lease (if you rent the property, you may be able to claim this as a lease document expense at **Sundry expenses**)
- legal expenses, including solicitor and conveyancer fees you incur to buy the property.

Claiming borrowing expenses

If your total borrowing expenses are:

- more than \$100, spread the deduction over 5 income years or the term of the loan, whichever is shorter
- \$100 or less, claim a full deduction in the income year you incur the expenses.

If you got the loan part way through the income year, apportion the deduction for the first year according to the number of days in that year.

If you repay the loan in less than 5 years, you can claim a deduction for the balance of the borrowing expenses in the final year of repayment.

Calculating borrowing expenses

To work out your borrowing expenses, you must apportion any deductions for parts of the loan used for private purposes. For example, private

purposes may include to buy a car, pay for school fees, or remodel the kitchen in your home. You can't claim private expenses.

Borrowing expenses calculator

To help work out your claim, use our [Deductible borrowing expenses calculator \(XLS,154KB\)](#).

Example: apportionment of borrowing expenses

Fiona and Max (as joint tenants each with 50% interest) secure a 20-year loan of \$209,000 to buy a rental property for \$170,000 and a car for \$39,000.

They pay for establishment fees, valuation fees and stamp duty on the mortgage. Their borrowing expenses on the loan total \$1,670.

As their borrowing expenses are more than \$100, they must apportion their deduction over 5 years because it's less than the period of the loan (20 years).

As they use part of the loan (\$39,000) for a private purpose, they can't claim a deduction for borrowing expenses on this portion of the loan.

Fiona and Max secure the loan on 17 July, so they work out the borrowing expense deduction for the first year as follows:

Borrowing expenses × (number of relevant days in income year ÷ number of days in the 5-year period) × (amount of rental property loan ÷ total amount borrowed) = deduction for the year.

As joint tenants, they need to report their share (50%) in each of their tax returns.

They work out their borrowing expenses deduction as shown in the table below.

Borrowing expense calculation

Year	Calculation	Available deduction for the year
1	$\$1,670.00 \times (349 \div 1,826) = \319.18 $\$319.18 \times (\$170,000 \div \$209,000)$	\$259.62
2	$\$1,350.82 \times (365 \div 1,477) = \333.82 $\$333.82 \times (\$170,000 \div \$209,000)$	\$271.53
3	$\$1,017.00 \times (365 \div 1,112) = \333.82 $\$333.82 \times (\$170,000 \div \$209,000)$	\$271.53
4 (leap year)	$\$683.18 \times (366 \div 747) = \334.73 $\$334.73 \times (\$170,000 \div \$209,000)$	\$272.27
5	$\$348.45 \times (365 \div 381) = 333.82$ $\$333.82 \times (\$170,000 \div \$209,000)$	\$271.53
6	$\$14.63 \times (16 \div 16) = \14.63 $\$14.63 \times (\$170,000 \div \$209,000)$	\$11.90

i This is a general summary only.

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Rental repairs, maintenance and capital expenses



Find out how to get repairs, maintenance, improvements and capital expenses right.

Quick reference guide

Scenario	Likely treatment	Example	How to claim
Replacing part of something that's worn out, damaged or broken because of renting out a property.	This is likely to be a repair .	Replacing part of a fence damaged by a tenant's dog or getting a plumber to fix a leaking tap.	Claim at Repairs and maintenance .
Preventing deterioration or fixing existing deterioration to keep the property in a tenable condition.	This is likely to be maintenance .	Repainting faded interior walls or having a deck re-oiled.	Claim at Repairs and maintenance .
Repairing damage that existed when the property was bought (whether the damage was known at the time of purchase or not).	This is likely to be an initial repair .	Fixing floorboards or repairing deteriorated window frames.	Initial repairs are capital expenses and are generally written off at 2.5% over 40 years. Claim at Capital works .
Repairing damage to a depreciating asset in the property when it was bought (whether the defect was known about at the time of purchase or not).	This is likely to be an initial repair .	Fixing a broken dishwasher.	This is a second-hand depreciating asset. When the asset is disposed of, the cost of the repair will form part of its cost base for CGT purposes.
Replacing a structure that's partly damaged, renovating or adding a new structure to improve the property.	This is likely to be capital works .	Replacing a whole fence, not just the damaged part, or adding a carport.	Claim at Capital works and write off at 2.5% over 40 years.
Installing a new appliance, carpet or window covering.	This is likely to be a depreciating asset .	Buying and installing a brand new dishwasher or laying new carpet.	Claim at Capital allowances and write off according to the asset's effective life.

Detailed guide

Find out about repairs, maintenance, improvements and capital expenses.

Repairs and maintenance

The cost of repairs and maintenance may be deductible in full in the year you incur them if:

- the expense directly relates to wear and tear or other damage that occurred while renting out the property
- the property either
 - continues to be rented on an ongoing basis
 - remains available for rent, but there's a short time when the property is unoccupied (for example, where unseasonable weather causes cancellations of bookings or all reasonable efforts to attract tenants were unsuccessful).

Repairs

To claim a deduction for the cost of repairs they must either:

- occur after your property was rented or made available for rent, and have been caused by the rental activity of the person making the claim (not from a previous owner), or
- caused by special circumstances beyond your control, such as a natural disaster or deliberate damage by tenants.

Generally, repairs can be claimed in full in the same year you incurred the expense.

Examples of repairs include:

- replacing broken windows
- repairing electrical appliances or machinery
- replacing part of the guttering damaged in a storm
- replacing part of a fence damaged by a falling tree branch.

Maintenance

Maintenance generally involves keeping your property in a tenantable condition. It includes work to prevent deterioration or to fix existing deterioration.

Examples of maintenance include:

- repainting faded or damaged interior walls
- oiling, brushing or cleaning something that is otherwise in good working condition (for example, oiling a deck or cleaning a swimming pool)
- maintaining plumbing.

Capital expenses to claim over several years

Find out about capital expenses you can claim over several years.

Depreciating assets (capital allowances)

Depreciating assets are items that can be described as plant, which don't form part of the premises. These items are usually:

- separately identifiable
- not likely to be permanent and expected to be replaced within a relatively short period
- not part of the structure.

When claiming a deduction for decline in value for each asset, you can choose to use either:

- the [effective life](#) determined for these types of assets
- your own reasonable estimate of its effective life.

Where you estimate an asset's effective life, you must keep records to show how you worked it out.

Examples of assets that deductions for decline in value can be applied to include:

- floating timber flooring
- carpets
- curtains
- appliances like a washing machine or fridge
- furniture.

Capital expenses to claim over several years (continued)

Second-hand depreciating assets

Second-hand depreciating assets are depreciating assets that were already installed ready for use or used:

- by another entity (except as trading stock)
- in your private residence
- for a non-taxable purpose, unless that use was occasional (for example, staying at the property for one evening while carrying out maintenance activities would be occasional use).

You can't claim a deduction for the decline in value of a second-hand depreciating asset used in a residential rental property, unless:

- you purchased the asset before 7:30 pm on 9 May 2017
- you installed it into your rental property before 1 July 2017.

Capital works

Capital works describe certain kinds of construction expense used to produce income.

The rate of deduction for these expenses is generally 2.5% per year for 40 years following construction.

When you sell the property, any unclaimed costs can be used to work out your capital gain or capital loss. Capital works include:

- building construction costs
- the cost of altering a building
- major renovations to a room
- adding a fence
- building extensions such as garages or patios
- adding structural improvements like a driveway or retaining wall.

In some circumstances, initial repairs will also be treated as capital works.

Improvements

An improvement can be anything that makes the property better, more valuable or more desirable, or changes the character of the item that works are being carried out on.

Improvements can be either:

- capital works – a structural improvement (for example, remodelling a bathroom or adding a pergola)
- capital allowances – the item is a depreciating asset (for example, carpet or a dishwasher).

Improvements include work that:

- provides something new – for example, adding a gazebo or carport
- improves the income-producing ability or expected life of the property
- goes beyond restoring the efficient functioning of the property.

It's important to correctly categorise each expense incurred to ensure it's treated correctly for tax purposes.

Initial repairs

Initial repairs are costs you incur to remedy defects, damage or deterioration that existed at the time you acquired the property to make it suitable to rent out. They are not immediately deductible. It doesn't matter if you were unaware of the need to make repairs to the property at the time you purchased it.

Similarly, initial repairs to a depreciating asset when you purchased the property that aren't from your tenant's use of the property, aren't deductible.

Where an initial repair relates to capital items associated with the building structure, like kitchen cabinets, you can claim the cost as a capital works deduction. Generally, this deduction will be at 2.5% per year for 40 years.

Before renting the property out, if you replace an old depreciating asset with a new one, such as a new dishwasher, you can claim a decline in value deduction for this asset over its effective life.

The cost of remedying initial repairs that existed at the time of purchase form part of the CGT cost base when you sell the property. You must reduce the CGT cost base by amounts claimed (or that you were entitled to claim) as capital works for the initial repairs.

Example: initial repairs not deductible (existing damage)

Lisa buys a property with the intention of renting it out. At the time of purchase Lisa knew that she would need to repair the roof (replace all roof tiles) and part of the ceiling as they were in a poor condition.

When carrying out the works, Lisa discovered there was extra structural damage that required her immediate attention. The repair to the ceiling costs her \$2,000, the replacement of roof tiles cost her \$9,000 and the structural work cost her a total of \$15,000. This is a total of \$26,000.

The 'initial' repair of the ceiling of \$2,000 isn't deductible as a repair but as with the replacement of the entire roof and the structural work, they are capital works expenses and the expense can be claimed over 40 years. When the property is sold, Lisa can include the \$26,000 for the work to rectify the existing damage in her CGT cost base reduced by the amount by the capital works deductions she has already claimed (or was entitled to claim).

Example: repair cost (special circumstances beyond your control)

Dimitri buys a property with the intention to rent it out. Unexpectedly, 10 weeks after the property was rented, a heavy storm damaged sections of the roof and minor parts of the ceiling.

As the property was rented before the storm, the repairs were done to restore the property to its original condition. Dimitri can claim the cost of repairs to the roof and ceiling as an immediate deduction in the income year he incurred the expense.

Example: replacement asset isn't an initial repair

Rebecca buys a unit as an investment with the intention to rent it out. On inspection, she notices the dishwasher is broken. After settlement occurs, Rebecca replaces the broken dishwasher with a new one, which cost \$999, before the new tenants move in.

Rebecca can't claim an immediate deduction for the replacement of the dishwasher because she is replacing a depreciating asset, not repairing it.

Rebecca can claim a decline in value deduction for the new dishwasher over its effective life.

i This is a general summary only.

For more information:

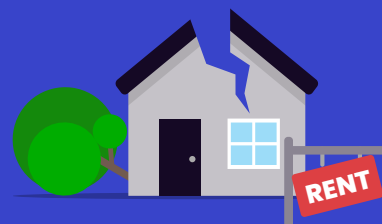
- see ato.gov.au/rental
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Damaged or destroyed rental properties



Find out what to do in the event your rental property is damaged or destroyed.

Types of income

Rental income can be payments you receive in cash or in the form of goods and services. You need to work out the monetary value of any payments you receive in the form of goods and services.

Insurance payouts

Insurance payouts for loss of rental income and repairs need to be included in your income.

Disaster assistance payments

Most one-off [assistance payments](#) you receive from the government, charities or community groups are tax-free. You need to check the types of payments and how they affect your tax.

Replacing depreciable assets

If the insurance payout you receive for your depreciating asset is more than its written down value, you need to include the balance as income. If the payout is less, you can claim a deduction for the difference.

Expenses

If you use an assistance payment or money from a relief fund to buy items for your rental property, the [normal conditions](#) for deductibility apply. This means you can claim a deduction if you satisfy the [deductibility rules](#).

Capital works

If you replace an entire structure that was fully or partially damaged or destroyed, it's likely to be classed as **capital works**. For example, replacing **all** the fence, not just the damaged portion. This may result in a capital gain or loss, see [Involuntary disposal of a CGT asset](#). New capital works are generally deductible at 2.5% over 40 years.

Repairs

If you fix something that's damaged or broken, it's a **repair**. For example, fixing a leaking tap, or **part** of the fence damaged in the storm. Amounts for **repairs and maintenance** are claimed fully in the year the expense is paid.

Depreciating asset

If you install a brand new appliance or floor or window coverings, these are **depreciating assets**. For example, buying a new dishwasher or installing new carpet. You claim a deduction over the effective life of the replacement asset (decline in value).

If you claimed a **capital allowance** for the original asset, claim a deduction for the remaining balance less any compensation received for the total loss of the asset.

i For more information, see ato.gov.au/Rentalrepairsfactsheet.

Rental property can't be lived in

If your property is unable to be lived in and no longer earning rental income, you can claim a deduction for costs incurred while doing repairs or renovations. For example, council rates or interest charged on your mortgage. **You can't claim a deduction for your own labour.**

To be entitled to claim expenses while making repairs or renovations, the work needs to be completed in a reasonable timeframe and the property must have been rented or made available for rent immediately before it was damaged or destroyed.

If the property is demolished and you're holding vacant land because of the damage, you can claim a deduction for holding costs (for example, land taxes and council rates) if the [exceptional circumstances exemption](#) applies.

There is a limit of 3 years from the date of the exceptional circumstances to continue to claim deductions using this exemption.

Capital gains tax (CGT) implications for damaged or destroyed assets

If you receive an insurance payout, it needs to be considered when calculating your capital gain or loss. A capital gain arises if the insurance payout is more than the asset's cost base. If the insurance payout is less than the reduced cost base you have a capital loss.

The [cost base](#) of a CGT asset is generally the cost of acquiring, holding and disposing of the asset. The [reduced cost base](#) is similar, but doesn't include the costs of holding the asset.

You choose to rebuild or replace your rental property

You may be entitled to roll over any capital gain you make and delay paying the gain until later. To defer the gain, you must incur expenditure within one year after the end of the income year the property was destroyed. For more information, see [Involuntary disposal of a CGT asset](#).

You choose not to rebuild your rental property

You need to calculate your capital gain or loss.

Any insurance payout you receive must be counted as capital proceeds when calculating your gain or loss.

If you don't receive an insurance payout there are no capital gains tax consequences until the property is sold.

Main residence exemption

If the damaged or destroyed property was previously your [main residence](#), you can treat it as your main residence for up to 6 years after you move out. Your main residence is exempt from CGT.

Generally, you only have one main residence at a time and can't treat any other property as your main residence for the same period.

Important things to remember

Important things to remember for damaged or destroyed rental property.

Timing of a CGT event

If your CGT asset is lost or destroyed, a CGT event happens on the date you receive compensation for the loss or destruction.

If you don't receive any compensation, the CGT event happens when the loss is discovered or the destruction occurred.

Get record keeping right

Keep records of every transaction including insurance payout documents, receipts for any new purchases or repairs. If you borrow, keep all loan documents and statements.

Before and after photos of destroyed assets may be helpful but they aren't sufficient records on their own.

Example: deduction for repairs while property was unoccupied

Ben's rental property was tenanted when it was severely damaged by a cyclone. Due to the damage, the tenants had to move out. Ben carried out repairs in a reasonable time and then advertised the property for rent.

Even though the property wasn't available for rent while being repaired, he is able to claim for the repairs because it was rented immediately before the damage occurred.

Example: no capital works deduction

Zahli owns a rental property that was damaged in a severe hailstorm. Because of this, her insurance company replaced the entire roof.

Zahli can't claim a capital works deduction for the new roof that was replaced by the insurer.

Example: deduction for replacement of depreciable items

Josh's rental property was covered in smoke and ash from bushfires. He had the home thoroughly cleaned and had to replace all carpets and curtains. Josh can claim a deduction for the:

- cleaning
- remaining value of the pre-existing carpet and curtains
- decline in value of the new carpet and curtains.

If Josh decided to repair the damaged carpet and curtains instead of replacing them, he would claim the immediate deduction as a repair.

This is a general summary only.

For more information:

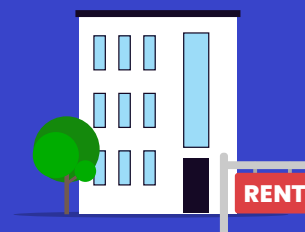
- see ato.gov.au/rental
- watch our short videos at ato.gov.au/rentalvideos
- download our Rental properties guide at ato.gov.au/RPguide
- read our Capital gains tax guide at ato.gov.au/cgtguide.





Australian Government
Australian Taxation Office

Rental property body corporate fees and charges



Information you need if your rental property is part of a body corporate.

About body corporates

Strata title body corporates are constituted under the strata title legislation of the various states and territories.

The body corporate maintains, manages and controls the common property on behalf of owners. It decides the amounts to be paid by the owners to make sure the body corporate can operate (body corporate fees).

What you can claim

You may be able to claim a deduction for body corporate fees and charges you pay. Not all body corporate fees are deductible in full in the income year you incur them.

Deductions depend on if you incur these fees to cover the cost of day-to-day administration and maintenance or for a special purpose.

If the funds are used for a capital expense the expense must be claimed over several years.

Administrative funds

These are payments you make to your body corporate administration fund.

These funds are used by the body corporate to cover day-to-day expenses to maintain and manage common property of the body corporate. For example, insurance premiums, maintenance of gardens and management of the body corporate itself.

You can claim an immediate deduction in the year you incur these fees.

General purpose sinking fund

The payments you make to a general-purpose sinking or reserve fund generally covers non-routine but anticipated expenses in the year the levy is raised, such as roof repairs or the painting of common property.

You can claim the sinking fund contribution in your tax return. However, you can't also claim a separate deduction for the items the funds were used for, like gardening, deductible repairs or building insurance costs.

What you can't claim

Certain body corporate fees may not be deductible in the income year you incur them, such as payments to a:

- special purpose fund, which is established to cover a specified, generally significant expense that is not covered by ongoing contributions to a general-purpose sinking fund
- special purpose fund to pay for a one-off unexpected major capital expense
- special contribution to pay for major capital expenses out of the general-purpose sinking fund.

These payments cover the cost of capital improvements or repairs of a capital nature and are not immediately deductible.

You may be able to claim a capital works deduction for your share of the expense once the work is **completed** and the cost has been charged to the fund.

Example: Immediate deduction body corporate fees

Charlie owns a strata title interest, which is a unit in an apartment block. Charlie rents out the unit to Karl.

The strata entitlement includes a right to use or have access to strata title body common property. This consists of:

- the garden area
- the lifts, stairwells and passageways
- depreciating assets such as public couches in the foyer.

Charlie pays a body corporate fee of \$2,500 annually for the general up-keep of the building's common areas.

Charlie is entitled to claim \$2,500 for body corporate fees in his tax return.

Example: Non-deductible capital works costs

Joe rents his unit to Meredith and pays a body corporate fee of \$2,500 annually for the last 2 years.

Unexpectedly, the council notified the body corporate that the common veranda needed to be completely replaced because it had not been maintained to compliance standards.

As a result, the body corporate issued an enforcement notice to each unit owner to pay the amount of \$10,000 into a special purpose fund to cover this emergency cost.

Joe can claim an immediate deduction for the \$2,500 body corporate fee.

He can't claim a deduction for the \$10,000. This expense is for future capital works and can be claimed at 2.5% for 40 years once the work is completed.

Example: Non-deductible capital works costs

Sophia rents her unit to Steve and has been paying a body corporate fee of \$3,000 annually for the last 2 years.

Her body corporate contacted each unit owner and advised of a new charge to pay an additional \$1,000 per year to a special purpose fund for future works to upgrade the building lifts.

Sophia can claim an immediate deduction for the \$3,000 body corporate fee but can't claim a deduction for the additional \$1,000. This levy is for future capital expenses and can be claimed once the work to upgrade the lifts has been completed and charged to the body corporate.

If Sophia pays \$1,000 each year over the period of 5 years to upgrade the lifts, she can claim a percentage of the \$5,000 each year based on the effective life of the depreciating asset from the date the works were completed.

i This is a general summary only.

For more information:

- see ato.gov.au/rental
- watch our short videos at ato.gov.au/rentalvideos
- download our Rental properties guide at ato.gov.au/RPguide
- read our Capital gains tax guide at ato.gov.au/cgtguide.





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Renting out a room or part of your main residence



What you may be able to claim when renting out all or part of your home.

How to work out the expenses you can claim

If you rent out all or part of your home that you live in as your main residence (home), including through the sharing economy, for tax purposes you need to:

- keep records of all rental income earned and declare it in your tax return
- keep records of expenses you can claim as deductions
- calculate your capital gain or loss when you sell the property.

Income you need to declare

Income you need to declare includes:

- all income **before** fees and commissions
- insurance payouts – for example, compensation for damage caused by renting
- bonds or security deposits you become entitled to retain
- letting and booking fees you charge, including cancellation fees.

Expenses you can claim

Expenses you may be able to claim includes:

- council rates
- interest on a loan for the property
- electricity and gas
- property insurance
- cleaning and maintenance costs
- fees or commission charged by the platform
- other expenses that directly relate to the earning of your rental income.

How much of the expense you can claim depends on:

- the number of days the room or whole property is rented during the year
- the portion of the property you have rented out – for example, a room or the whole property.

Working out the deductions you can claim

What you need to consider when working out the deductions you can claim.

- How big is the property?
- How big is the rented room?
- How big are the shared or common areas?
- How many days was the room rented out?

How to work it out

Rented room (claim 100% for days rented):

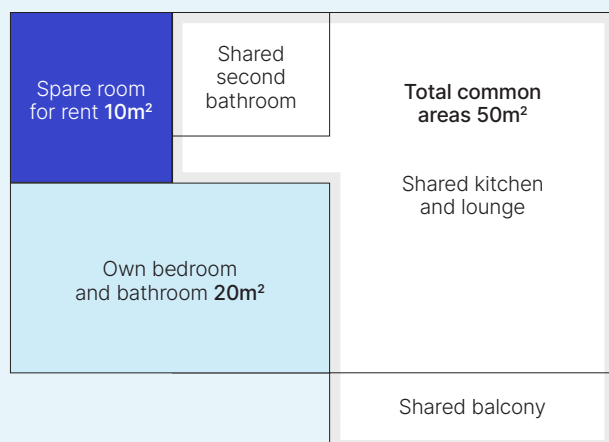
$(\text{Rented rooms size} \div \text{Total size of house or unit}) \times (\text{Number of days rented} \div \text{Total days in the year}) \times 100 = \text{Percent of expenses claimable}$

Common areas (claim 50% for days rented):

$(\text{Total common areas} \div \text{Total size of house or unit}) \times (\text{Number of days rented} \div \text{Total days in the year}) \times 50\% \times 100 = \text{Percent of expenses claimable}$

Example: how to work out deductions you can claim

(80m² unit, 10m² room rented for 150 days)



Rented room

$(10 \div 80) \times (150 \div 365) \times 100 = 5.13\%$

Common areas

$(50 \div 80) \times (150 \div 365) \times 50\% \times 100 = 12.84\%$

Total percentage of expenses you can claim = 17.97%

Capital gains tax when you sell

When you earn income for your home, you need to consider [capital gains tax \(CGT\) when you sell](#).

When working out your eligibility for a full or partial CGT [main residence exemption](#), you need to factor in both:

- floor-area of the residence you rent
- the number of days the property was used to generate income.

You will need to keep records, such as:

- statements from platforms that show your income
- receipts of any expenses you want to claim as a deduction.

i This is a general summary only.

For more information:

- see ato.gov.au/rental
- watch our short videos at ato.gov.au/rentalvideos
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Capital gains tax on the sale of property



When selling or disposing of property, you need to consider if capital gains tax (CGT) applies.

i As this is a complex topic, it may not meet your individual circumstances. If you're uncertain, get professional advice relevant to your circumstances.

About CGT when selling property

Capital gains tax (CGT) is the tax you pay on profits from disposing of assets, such as a rental property, vacant land or a holiday home. When you dispose of a property, such as by selling it, you may make a capital gain or loss.

You report capital gains and capital losses in your tax return and pay tax on your capital gains. Although it is referred to as 'capital gains tax', it is part of your income tax. It's not a separate tax.

If you bought property before 20 September 1985

You're exempt from CGT if you bought property before 20 September 1985. CGT came into effect from 20 September 1985.

✔ Include pre-CGT disposals in your tax return

Reporting pre-CGT disposals won't affect your tax, but it may stop us from needing to contact you.

Include the pre-CGT asset exemption in the capital gains tax section in your tax return:

- under the heading **Capital gains tax exemption, rollover or additional discount type code**
- select **J: Capital gains disregarded as a result of the sale of a pre-CGT asset** from the drop-down list.

Work done on pre-CGT property

If you bought your property before 20 September 1985 and added to, or improved your property such as renovating it, those changes are major capital improvements.

This work is treated as a separate CGT asset if its original cost is both:

- more than 5% of the amount you receive when you dispose of the asset
- more than the improvement threshold for the income year you dispose of the asset. The improvement threshold can be found on ato.gov.au

Calculate the capital gain or loss by comparing the cost base of the improvements to the proceeds of sale that are reasonably attributable to the improvements.

If you bought the property on or after 20 September 1985

When you dispose of your property – for example, you sell it, you may make a capital gain or capital loss.

- If you sell the property for more than it cost – you make a capital gain.
- If you sell the property for less than it cost – you make a capital loss.

Calculate your cost base

To calculate your capital gain, you need to work out the cost base. The cost base is usually the cost of the property when you bought it, plus any costs associated with acquiring, holding and selling it that haven't already been deducted. The cost base is made up of [5 elements](#).

Element 1 – Money paid or property given for CGT asset

For example, the purchase price to acquire the asset.

Element 2 – Incidental costs of acquiring the CGT asset or that relate to the CGT event

For example, costs of advertising or marketing to find a seller or buyer, legal fees, valuation fees, borrowing expenses, such as loan application fees.

Element 3 – Costs of owning the CGT asset

For example, insurance costs, rates and land taxes.

Element 4 – Capital costs to increase or preserve the value of your asset or to install or move it

For example, costs for construction, renovation, and initial repairs that are not otherwise deductible.

Element 5 – Capital costs of preserving or defending your title or rights to your CGT asset

For example, legal fees to defend your ownership of the rental property.

Capital works deductions

For a rental property, you need to subtract any capital works deductions if you acquired the rental property after 13 May 1997 and you either:

- claimed a deduction for them in any income year
- haven't claimed a deduction, but can still claim, because the period for amending the relevant income tax assessment has not expired.

Depreciating assets

A depreciating asset is considered a separate asset from the property for CGT purposes. They include things like flooring, air conditioners and white goods.

When calculating your capital gain or loss, the value of a property's depreciating assets at the time of purchase and at sale are removed from the cost base and capital proceeds.

Working out your reduced cost base

If your calculations show that you have made a capital loss, some of the costs you included when working out your cost base need to be removed. Your cost base becomes a 'reduced cost base'.

How to calculate a reduced cost base:

- Include all elements of the cost base except element 3, which is replaced with the balancing adjustment amount – for example, the sale of depreciating assets in the rental property would be part of the balancing adjustment.
- Don't apply indexation to any elements of the reduced cost base.

How to calculate your capital gain or loss

To help you work out your capital gains or losses use the [Capital gains tax record keeping tool](#) or these steps to calculate the CGT yourself:

- **Step 1:** Work out what you received for the asset (capital proceeds). If you give the asset away or sell it for less than it is worth, your capital proceeds are the market value of the asset.
- **Step 2:** Work out your costs for the asset (your cost base). It is what it cost you to acquire, plus certain other costs you had to acquire, hold and dispose of the asset. If you have already claimed a deduction for an amount, such as capital works, it doesn't form part of the cost base.
- **Step 3:** Subtract the cost base from what you received. If the result is:
 - more than zero, you have made a capital gain
 - less than zero, you need to use the reduced cost base at step 2 to see if you have made a capital loss.

- **Step 4:** Repeat steps 1–3 for each CGT event you have had for this financial year.
- **Step 5:** Subtract capital losses from your capital gains.
- **Step 6:** If the remaining amount is:
 - more than zero, go to step 7
 - less than zero, go to step 8.
- **Step 7:** Apply the CGT discount (50%) for individuals and trusts to any remaining capital gains that are eligible (Australian resident and owned asset for at least 12 months).
- **Step 8:** Report your net capital gain or loss in your tax return.

Timing of a CGT event

The date of the CGT event for disposing of your property is the date you enter a **contract for the sale** of disposal, **not** the settlement date.

If there's no contract, the CGT event takes place when the change of ownership occurs.

The timing of a CGT event tells you the income year to report your capital gain or loss and may affect how you calculate your tax liability.

Inherited property

If you inherit property, there are special rules for calculating the [cost base of inherited assets](#).

Apportioning gain or loss

If you are a co-owner of a property, any capital gain or loss must be apportioned to your share of the ownership interest in the property.

Main residence

If your rental property was your main residence

Generally, your main residence is exempt from CGT. A property stops being your main residence once you stop living in it. However, you can choose to continue treating it as your main residence for CGT purposes even though you no longer live in it:

- for up to 6 years if it's used to produce income (the 6-year rule)
- indefinitely, if it's not used to produce income.

You can't treat any other property as your main residence for the same period (except for a limited time if you're moving to a new house – up to 6 months).

You make the choice to treat a property as your main residence, when preparing your tax return. Do this in the income year you enter a contract to sell the property and report the main residence exemption in the CGT section of your tax return.

If you use your former home to produce income for more than 6 years in one absence, it's subject to CGT for the period after the 6-year limit and you need to report a capital gain, or loss as well as the main residence exemption.

If you sold property as vacant land, including when you demolish your main residence, or intended to build on that land before selling – you're **not** entitled to a main residence exemption. Report the capital gain or loss when you sell the property.

Using your main residence to produce income

If you rent out part of your home or run a business from home, you don't get the full main residence exemption from CGT. You're **not** entitled to the full main residence exemption when:

- you acquire a property on or after 20 September 1985 and used it as your main residence, and
- you're allowed a deduction for interest on money borrowed to acquire the property (interest deductibility test).

Property value when first used to produce income rule

To work out your capital gain, you need to know the market value of your property at the time you first used it to produce income if **all** the following apply:

- you acquired the property on or after 20 September 1985
- you first used the property to produce income after 20 August 1996
- when a CGT event happens to the property, you would get a partial exemption as you used the property to produce assessable income during the period you owned it (and the 6 year rule doesn't apply).

- you would have been entitled to a full exemption if the CGT event happened to the property immediately before you first used it to produce income.

Use our [Capital gains tax property exemption tool](#) to calculate the percentage of your exemption.

To determine the property's market value at the time of change of use, you should get a professional [market valuation](#).

If you used your property to earn income and you're eligible for a CGT exemption or rollover, including the main residence exemption, make the election in your tax return at the CGT section.

i For more information, see ato.gov.au/MREfactsheet.

Example: sale of a rental property

Brett purchased a residential rental property on 1 July 1998, for \$350,000 of which \$12,000 was attributed to depreciating assets. He also paid \$20,000 for pest and building inspections, stamp duty and solicitor's fees.

For the next few years, Brett incurred the following expenses on the property and claimed them in the years they occurred:

Interest on money borrowed	\$10,000
Rates and land tax	\$8,000
Deductible (non-capital) repairs	\$15,000
Total	\$33,000

Brett can't include the expenses of \$33,000 in the cost base, as he already claimed rental deductions for them.

When Brett decided to sell the property, a real estate agent advised him to spend \$30,000 on renovations so the property would be valued at \$900,000. The renovations were completed on 1 October 2024, costing \$30,000, while the property was still rented.

On 1 February 2025 he sold the property for \$900,000 (\$4,000 was attributed to depreciating assets), 124 days after the completion of the renovations. Brett also incurred \$12,000 in real estate agents fees and solicitor's fees on disposal.

Brett claims a capital works deduction of **\$254** ($\$30,000 \times 2.5\% \times 124 \div 366$) for the renovations.

Brett works out his cost base as follows:

- Purchase price of property (\$350,000 – \$12,000 [depreciating asset]) *plus*
- Pest and building inspections, stamp duty and solicitor's fees on purchase of the property (\$20,000) *plus*
- Capital expenditure (renovations) (\$30,000 – \$254 [capital works deduction]) *plus*
- Real estate agent's fees and solicitor's fees on sale of the property (\$12,000), *equals*
- **Cost base unindexed** – that is: **\$338,000 + \$20,000 + \$29,746 + \$12,000 = \$399,746**

Brett deducts his cost base from his capital proceeds (sale price) by:

- Proceeds from selling the house, \$896,000 (\$900,000 – \$4,000 [depreciating assets])
- Less cost base unindexed **\$399,746**
- **Capital gain \$496,254** (\$896,000 – \$399,746).

He decides the discount method gives him the best result, so he uses it to calculate his net capital gain: **\$496,254 × 50% = \$248,127**.

Example: partial main residence during part of the ownership period

Vrinda bought a house on 1 July 2009 for \$350,000 and moved in immediately. On 1 July 2016 she bought a new house and moved into it on 1 December 2016 (5 months later) as her main residence and began to rent out her old house. She had a valuation done at the time for \$500,000 for her old house.

She sold the old house (rental property) for \$950,000. Its contract for sale was signed on 1 July 2024.

When Vrinda started renting out the old house on 1 December 2016, its market value was \$500,000 (value at the time of first use for producing income).

Vrinda also had incidental costs for \$15,000 for selling the property and made a capital gain of \$435,000. Since she owned her old house for at least 12 months, she uses the discount method to calculate her net capital gain of \$217,500.

$$\begin{aligned} & \$950,000 - \$500,000 + \$15,000 = \\ & \$435,000 \div 50\% = \$217,500 \text{ net capital gain} \end{aligned}$$

She adds \$217,500 in her tax return at **Net capital gain**.

Example: renting out part of a home

Thomas purchased a house 1 July 2009 and sold it on 30 June 2025. The house was his main residence for the entire time.

Throughout the period Thomas owned the home, a long-term tenant rented one bedroom (20% of the home's floorplan). Both Thomas and the tenant used the living room, bathroom, laundry and kitchen (30% of the home's floorplan). The rest of the home was only used by Thomas.

Thomas is entitled to a 35% (20% + half of 30%) rental deduction for interest on money borrowed to acquire his home.

Thomas made a capital gain of \$120,000 when he sold the home. Of this total gain, he calculates the portion of the gain that isn't eligible for the main residence exemption. Thomas includes the taxable portion of the capital gain in his tax return, calculated as:

$$\begin{aligned} & \text{Capital gain} \times \text{percentage of floor area} \\ & = \text{Taxable portion} \end{aligned}$$

$$\$120,000 \times 35\% = \$42,000$$

Thomas can use either the indexation or the discount method to calculate his net capital gain.

Foreign residents, main residence and capital gains tax

There are [special CGT rules if you're a foreign resident](#) for tax purposes when you sell residential property in Australia.

i This is a general summary only.

For more information:

- see ato.gov.au/rental
- watch our short videos at ato.gov.au/rentalvideos
- download our Rental properties guide at ato.gov.au/RPguide
- read our Capital gains tax guide at ato.gov.au/cgtguide.

Record keeping

You must keep records relating to your ownership and all the costs of acquiring, holding and disposing of property such as, contract of purchase and sale, stamp duty and major renovations.

Records are generally required to be held for at least 5 years after the sale of the property (or year you declare a capital gain). If you make a capital loss, once you've offset the loss against a capital gain, keep your records for a further 2 years.

i For more information, see see ato.gov.au/rentalrecords





Australian Government
Australian Taxation Office

Capital gains tax and the main residence exemption



Check our list of examples to see if you are eligible for the full or partial 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.

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 2025, but settled on 1 August 2025 needs to be reported in the 2024–25 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.

How to complete your tax return

If you make the choice to claim the main residence exemption, you must include this at the CGT exemptions and rollovers question in your tax return.

Lodging your tax return using myTax

In the **Personalise** your return section:

- select **You had Australian interest, or other Australian income or losses from investments or property**
- select **Capital gains or losses that are not from a managed fund or Trust distribution**
- select **Add/edit** for the capital gains or losses section
- select **Yes** to *Have you applied an exemption/rollover or additional discount?*
- under the heading *Capital gains tax exemption, rollover or additional discount type code*, select the code **I: Main residence exemption (Subdivision 118-B)** from the drop-down list.

Lodging your tax return via a tax agent

For the property to be considered your main residence or your primary place of residence (PPOR), you will have to show that:

- you lived in your main residence for the entire duration that you've owned it or have not treated any other place as your main residence
- you keep your possessions at your main residence
- you use the property's address to receive your post
- the property's connected utilities are in your name
- you are registered on the electoral roll covering that address.

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>

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

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.	<p>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.</p> <p>For more information, see Main residence exemption for foreign residents.</p>	<p>If you don't satisfy the life events test:</p> <ul style="list-style-type: none"> • you're not eligible for MRE • report CGT gain or loss amount • claim any CGT foreign resident withholding credit. <p>If you satisfy the life events test:</p> <ul style="list-style-type: none"> • 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	<p>You're eligible to a full MRE.</p> <p>For more information, see Eligibility for main residence exemption.</p>
You moved into your new home before selling your old home.	<p>You're eligible to a full MRE.</p> <p>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.</p> <p>For more information, see Moving to a new main residence.</p>
You occasionally work from home, but your home is not your place of business.	<p>You're eligible to a full MRE.</p> <p>Occasional work from home is treated differently to running a business from your home.</p> <p>If you're not entitled to deduct interest and other occupancy expenses, working from home doesn't affect your eligibility for the MRE.</p> <p>For more information, see Using your home for rental or business.</p>

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

Scenario... During property ownership period	Eligibility for main residence exemption (MRE)
<p>You are an Australian resident, and you inherited the property from an Australian resident.</p>	<p>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.</p> <p>For more information the tax implications of deceased estate residences, see Inherited property and CGT.</p>
<p>You built or renovated your home on land you own.</p>	<p>You're eligible to a full MRE for up to 4 years before you move in.</p> <ul style="list-style-type: none"> • 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. <p>For more information, see Building or renovating your home.</p>
<p>You demolished your home and built a new one.</p>	<p>You're eligible to a full MRE.</p> <p>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.</p> <p>You can't claim a MRE for another property for the same period.</p> <p>For more information, see Building or renovating your home.</p>
<p>You subdivided your property and remained in your original residence.</p>	<p>You're eligible to a full MRE.</p> <p>You will be required to report a capital gain or loss on the subdivided land, but not your original main residence.</p> <p>For more information, see Subdividing and combining land.</p>
<p>Your home is accidentally destroyed (for example, by a natural disaster) and you sell the vacant land.</p>	<p>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.</p> <p>For more information, see Destruction of your home.</p>
<p>You create a granny flat arrangement involving your main residence</p>	<p>You're eligible to a full MRE</p> <p>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.</p> <p>For more information, see Granny flat arrangements and CGT.</p>

i This is a general summary only.

For more information:

- download our Rental properties guide at ato.gov.au/RPguide
- read our Capital gains tax guide at ato.gov.au/cgtguide





Australian Government
Australian Taxation Office

Marriage or relationship breakdown and real estate transfers



If you transfer real estate to your spouse due to separation or divorce, you may qualify for a CGT rollover.

i As this is a complex topic, it may not meet your individual circumstances. If you're uncertain, seek professional advice relevant to your circumstances.

Marriage or relationship breakdown rollover

Capital gains tax (CGT) generally applies to changes in ownership of an asset, such as real estate.

A [marriage or relationship breakdown rollover](#) may apply when the transfer of property (by you, a company or the trustee of a trust) results from a court order, a binding financial or formal agreement or an award.

This rollover means that you disregard any capital gain or loss made when you transfer the property to your spouse.

The **transferor** is the person, company or trustee of a trust transferring the property to their spouse because of a [court order](#) or other formal agreement. The transferor:

- disregards any capital gain or loss
- reports the rollover in their tax return.

The **transferee spouse**:

- has the property and cost base transferred to them because of a court order or other formal agreement
- will make a capital gain or loss when they later sell or dispose of the property.

If the transferee spouse already had a legal interest in the property, they must calculate their capital gain or loss separately to the interest transferred from the transferor.

If the transferred property was acquired by the transferor (or a company or trustee) before 20 September 1985, CGT doesn't apply. However, if the transferor made a major capital improvement to the dwelling on or after 20 September 1985 the improvements are separate assets and may be subject to CGT

✓ How to include your relationship rollover in your tax return

If you are lodging your tax return using myTax, in the **Personalise your return** section:

- select **You had Australian interest, or other Australian income or losses from investments or property**
- select **Capital gains or losses that are not from a managed fund or Trust distribution**
- select **Add/edit** for the capital gains or losses section
- select **Yes** to *Have you applied an exemption/rollover or additional discount?*
- Under the heading *Capital gains tax exemption, rollover or additional discount type code*, select **S: Same asset roll-overs (Division 126)** from the drop-down list.

If a rollover doesn't apply

The rollover doesn't apply to property that's transferred under a private or informal arrangement. This includes anything outside of a court order or binding financial or formal agreement.

The **transferor**:

- Is the person, company or trustee of a trust transferring the property under a private or informal arrangement.
- Must consider any capital gain or loss made from the transfer and report this in their tax return for that year.
- Is taken to have received the market value of the property for CGT purposes where the dealings are not arm's length.

The **transferee spouse**:

- Has the property transferred to them under a private or informal arrangement and is taken to have acquired it at the time of transfer.
- Will make a capital gain or loss when they later sell or dispose of the property.
- Is taken to have acquired the property at market value for CGT purposes where the dealings are not arm's length.

Note: An arm's length dealing is where each party acts independently and without influence or control over the other.

To determine the property's market value at the time of transfer, you should get a professional [market valuation](#).

Calculating CGT on a property received under a relationship breakdown rollover

When you sell or dispose of a property transferred to you under a relationship breakdown rollover, you need to calculate the CGT as though you had owned the property since your former spouse acquired it.

If the property was the main residence of you or your former spouse, you can generally claim a full or partial main residence exemption depending on your circumstances.

When working out your eligibility for the 50% CGT discount, include the period your former spouse owned the property when calculating the ownership period.

If the rollover property was acquired by your former spouse before 20 September 1985, it's not subject to CGT. However, any subsequent major capital improvements to the property are considered separate assets and are subject to CGT.

- For more information, see ato.gov.au/CGTrollovercalc and ato.gov.au/MREbreakdown

Record keeping

Keep records relating to your ownership and all costs of acquiring, owning, and disposing of property including:

- the court order or formal agreement relating to the property transfer
- contract of purchase and sale
- stamp duty
- major renovations.

Ensure you have records from your spouse, including records that show:

- how and when they acquired the property (or the interest in it)
- the [cost base](#) of the property when they transferred it to you
- the extent (if any) the property was used to produce income during their ownership period (for example, the periods when it was rented out or available for rent) and the portion used for that purpose
- the number of days (if any) it was their main residence during their ownership period.

You must hold records for at least 5 years after the sale of the property, or the year you declare a capital gain.

If you make a capital loss, once you've offset the loss against a capital gain, keep records for another 2 years.

Example: pre-CGT assets and main residence exemption

After marrying, Sergio and Nina bought a home on 1 February 1985 for \$175,000. They decided to convert their original home into a residential rental property and buy another home. They bought a larger home on 1 January 1996 for \$325,000, that became their main residence.

This means they each owned 50% of the interest in the following assets.

CGT assets purchase price and date

Asset	Purchase price	Purchase date
Rental property	\$175,000	1 February 1985
Family home	\$325,000	1 January 1996

Sergio and Nina’s marriage broke down and, on 1 April 2025, a court order was made:

- Nina transferred her interest in the rental property to Sergio
- Sergio transferred his interest in the family home to Nina.

After the court order, Nina continued living in the family home and Sergio moved into the rental property.

The CGT implications are:

Rental property – as the couple acquired the property before the introduction of CGT on 20 September 1985, Sergio is taken to have acquired Nina’s interest in the property before that date. As the property is a pre-CGT asset, there are no capital gain or loss obligations for either party, unless major capital improvements were made to the property after 19 September 1985.

Family home – Sergio and Nina lived here from the time of purchase until the court order. It remained Nina’s main residence after Sergio transferred his interest to her.

As the property was transferred to Nina under a court order, Sergio is entitled to the marriage or relationship breakdown rollover and he doesn’t have to record a capital gain or loss. Sergio will need to report a marriage or relationship rollover in his tax return.

Nina is taken to have acquired Sergio’s interest in the family home. Nina’s cost base includes Sergio’s cost base at the time of transfer, as well as the cost base of her own original interest. This means, the full purchase price of the property (\$325,000) forms part of the cost base for Nina.

Nina considers how she and Sergio used the property during their respective ownership periods to determine if a main residence exemption applies. The property was their main residence since purchase and they didn’t use it to produce income at any time, so Nina is entitled to the main residence exemption.

The property isn’t subject to any CGT on sale.

Example: transferor is entitled to rollover

Sam and Alex jointly bought a holiday home on 1 March 2012 for \$400,000. The home was never used to produce assessable income, or as their main residence.

Sam and Alex’s relationship broke down and on 1 March 2022, Sam’s ownership interest in the property was transferred to Alex under the terms of a binding agreement.

Alex moved into the property on 1 March 2022. He lived there until he sold it on 28 February 2025 for \$800,000.

During the ownership period, the property was used as below.

Property ownership dates and interest percentage

Property classification	Dates	Ownership interest
Holiday home	1/03/2012 to 28/02/2022	50% Sam + 50% Alex
Alex’s main residence	1/03/2022 to 27/02/2025	100% Alex

Sam is entitled to the relationship breakdown rollover and doesn’t have to report a capital gain or loss, however he will need to report the roll over in his tax return.

Alex must consider how he and Sam used the property during their respective ownership periods to determine if a partial main residence exemption applies.

Alex calculates the capital gain on his original interest in the property separately to the interest Sam transferred to him.

i This is a general summary only.

For more information:

- see ato.gov.au/CGTInvdisposal
- download our Rental properties guide at ato.gov.au/RPguide
- read our Capital gains tax guide at ato.gov.au/cgtguide





Australian Government
Australian Taxation Office

Capital gains tax on inherited property



What you need to know about CGT when you inherit a capital asset like property.

When CGT applies

Inherited property is a capital asset and for CGT purposes you acquire it on the day a person dies.

CGT doesn't usually apply at the time you inherit the dwelling, however it will apply when you later sell or dispose of the dwelling, unless an exemption applies.

The following circumstances determine if CGT or a CGT exemption applies to the sale or disposal of inherited property:

- the deceased person acquired the property before 20 September 1985, and if a major improvement has been made to the property on or after 20 September 1985
- it was the deceased person's main residence immediately before they died, and if the property was being used to produce income at the time
- the deceased person was an excluded foreign resident at the time of death
- if you were an Australian resident when you inherited the property
- if it was your main residence, or
 - the main residence of anyone with the right to occupy it under the will
 - the main residence of the spouse of the deceased person immediately before their death
 - wasn't used to produce income
- if you dispose of the inherited property within 2 years (or the within an extension period) of the deceased person's death.

Note: The 2-year limit is extended if disposal of the property is delayed by exceptional circumstances outside your control. Safe harbour in these circumstances provides for the 2-year limit to be extended for another 18 months.

For more information, see [Extensions to the 2-year ownership period](#).

To find out if the disposal of inherited property is fully or partially exempt from CGT, see [Inherited property and CGT](#).

Acquisition cost base of inherited property

The acquisition cost of the property is the market value of the property at the date of death, if any of the following apply:

- the property was acquired by the deceased before 20 September 1985
- the property was passed to you after 20 August 1996 (but not as a joint tenant), and
 - it was the deceased person's main residence just before they died
 - it wasn't used to produce income
- the dwelling was passed to you as the trustee of a special disability trust.

In all other circumstances, your acquisition cost is the deceased's cost base on the day they died. This means:

- the deceased's original purchase price, and
- any other costs incurred then and afterwards (by the deceased) – for example, legal fees from the transfer to the beneficiary, and any capital improvements.

You may need to contact the trustee or the deceased's tax advisor to get these details.

Joint tenants and tenants in common

If 2 or more people acquire a property together, it can be either:

- tenants in common
- joint tenants.

Tenants in common

If a tenant in common dies, their interest in the property becomes the asset of their deceased estate. This means it can be:

- transferred to a beneficiary of the estate (only)
- sold (or otherwise dealt with) by the legal personal representative of the estate.

Joint tenants

For CGT purposes, if you are a joint tenant you:

- are treated as if you are a tenant in common
- own equal shares in the asset.

However, if you're a joint tenant and another joint tenant dies, on that date their interest in the asset is:

- taken to pass in equal shares to you and any other surviving joint tenants
- as if their interest is an asset of their deceased estate and you are beneficiaries.

This means, if the dwelling was the deceased's main residence, you may be entitled to the main residence exemption for the interest you acquired from them.

Example: surviving joint tenant

In 2005, Ming and Lee buy a residential property for \$300,000 as joint tenants. Each one has a 50% interest in it. They live in it as their main residence.

On 1 May 2024, Lee dies. Ming acquires Lee's interest for an amount equal to Lee's cost base on that day (1 May 2024).

Ming continues to use the property as his main residence after Lee's death. He is entitled to the main residence exemption for the interest he acquired from Lee, as well as for his original interest.

Inherited dwelling from, or as, a foreign resident

The law for foreign residents changed on 12 December 2019. This may affect your entitlement to claim the main residence exemption on an Australian residential property you inherit from a foreign resident.

The changes may also apply to you if:

- you inherit an Australian residential property
- you have been a foreign resident for more than 6 years when you sell or [dispose of the property](#).

Inheriting a dwelling from someone who inherited it themselves

If you [inherit a deceased persons property](#), who also acquired the interest in the property on or after 20 September 1985 as a beneficiary (or trustee) of a deceased estate, you may be entitled to a partial main residence exemption. This is calculated on the number of days the property was yours and the previous beneficiary's main residence.

Example: fully exempt – deceased acquired the dwelling on or after 20 September 1985 and beneficiary sold it within 2 years of death

Rodrigo was the sole occupant of a flat he bought in April 1990. He has only ever lived in it and didn't use it to produce income.

Rodrigo died in January 2023. He leaves the flat to his son, Petro. Petro initially rents out the flat and then sells it 15 months after his father died.

Petro is entitled to a full exemption from CGT. This is because Rodrigo lived in it when he died and Petro disposed of it within 2 years of his father's death.

Example: partial exemption – main residence of deceased but then rented out for more than 2 years after death by beneficiary

Lucy buys a home on 1 April 2005 for \$250,000. It's her main residence from the time she acquired it until her death on 31 March 2017 (a total of 4,383 days). The property passes on to her beneficiary, Amy.

Amy lets the home as a rental property throughout her ownership period. After 8 years she decides to sell. Amy sells the rental property for \$975,000 on 30 June 2025 (3,013 days after Lucy's death).

The acquisition cost of the property for Amy is its market value at Lucy's date of death, which was \$425,000. This is because it was:

- passed to Amy after 20 August 1996
- Lucy's main residence immediately before her death
- not producing income at Lucy's date of death.

Amy needs to declare the capital gain as follows:

- calculate CGT
 - sale price \$975,000
 - acquisition cost (total cost base) \$425,000
- deduct cost base from sale price
 - total capital gain \$550,000.

Amy's taxable portion of the capital gain is calculated as:

$$\text{Capital gain amount} \times (\text{Non-main residence days} \div \text{total days})$$

The non-main residence days is the number of days Lucy and Amy used the dwelling to produce income, which is 3,013 (0 for Lucy and 3,013 for Amy). Total days is the number of days Lucy and Amy owned it, which is 7,396.

Amy's capital gain is:

$$\$550,000 \times 3,013 \div 7,396 = \$224,060$$

Amy can use the CGT discount method to reduce her capital gain by 50%. This reduces her capital gain to \$112,030.

Example: partial exemption – inherited rental property – main residence of beneficiary

Vicki bought a house for \$200,000 on 12 February 2000 and uses it as a rental property. She dies on 17 November 2003 (owning the home for a total of 1,375 days). The house passes on to her beneficiary, Lesley, who uses it as his main residence.

As the property was purchased by Vicki after 20 September 1985 and used solely for income producing purposes, Lesley's acquisition cost is Vicki's cost base on the day she died of \$208,000. The cost base includes \$200,000 plus legal fees and solicitor fees on purchase.

Lesley sells the property for \$650,000 on 27 November 2024. He owned it for a total of 7,681 days. As the house was not Vicki's main residence just before she died, Lesley can't claim an exemption from CGT for the period Vicki used the house to produce income.

However, Lesley is entitled to a partial exemption from CGT for the period he used the house as his main residence. This is throughout his ownership period of 7,681 days only.

Example: partial exemption – main residence deceased – rental property and main residence beneficiary

Mary acquired a dwelling on 1 June 2004 for \$650,000. It is her main residence until she dies on 31 August 2009 (a total of 1,918 days). Her son, Steve, inherits the dwelling and rents it out.

After renting the dwelling until 31 August 2012 (a total of 1,096 days), Steve begins living in it as his main residence. On 31 August 2024 he sells it for \$900,000 (owning it for a total of 5,479 days).

Mary acquired the main residence after 19 September 1985 and didn't use it to produce income. On her death, the house was passed to Steve as a beneficiary after 20 August 1996. This means, Steve acquired the dwelling at its market value of \$720,000 at the time he first used it to produce income.

The house was Mary's main residence just before she died and Steve used the property as his main residence as well as a rental property. Steve can't claim an exemption from CGT for the period he used the house to produce income. However, he can claim a partial exemption from CGT for the period Mary and Steve used the house as their main residence in their ownership period.

This is a general summary only.

For more information:

- see ato.gov.au/deceasedestatesCGT
- download our Rental properties guide at ato.gov.au/RPguide
- read our Capital gains tax guide at ato.gov.au/cgtguide





Australian Government

Australian Taxation Office

Capital gains tax on sale of shares or units



Check how capital gains tax (CGT) applies to the sale or disposal of shares or units.

Disposing of shares or units

When you sell or dispose of shares or units in a company or trust, including units in an [exchange traded fund](#) (ETF), you may make a capital gain or capital loss. This will depend on when you bought or acquired the shares or units.

If you bought the shares or units:

- **before 20 September 1985** – you are exempt from capital gains tax (CGT), because CGT came into effect from 20 September 1985
- **on or after 20 September 1985** – you may make a capital gain or capital loss when you dispose of the shares or units.

Calculating CGT on the sale of your shares or units

A capital gain or loss is the difference between your:

- Cost base
- Capital proceeds.

Cost base

When buying or selling shares or units you need to work out your cost base. The elements of the cost base relating to shares or units are generally:

- what you paid for your shares or units
- certain incidental costs of buying and selling the shares or units
 - brokerage or agent fees
 - legal fees
 - investment adviser's fees (but not investment seminar costs)

- the costs of owning the shares or units, such as interest on monies borrowed to acquire the asset (generally this won't apply to shares or units because you will usually have claimed or be entitled to claim these costs as a tax deduction)
- capital costs of preserving or defending your title or rights to your shares or units.

Capital proceeds

The amount you receive or the market value of what you should have received when you dispose of your shares or units.

Share and unit parcels

A parcel of shares is a distinct number of shares that you own. You can buy different parcels of shares in the same company at different times.

Similarly, a parcel of units is a distinct number of units you own in a trust or ETF. You can buy different parcels of units in the same fund at different times.

Each parcel of shares or units that you own added together make up your 'holding' or equity of that company or trust. For example, you may buy 2 parcels of 500 AZY shares at different times. You have a total of 1,000 AZY shares in your portfolio, made up of 2 parcels.

Parcel selection methods

Shares and units can be described as 'fungible' because one share is identical to and interchangeable with any other share.

As one share or unit is functionally identical to all others of the same share or unit class (for example, ordinary shares, preference shares) in that company or trust, it is difficult to identify which shares or units were disposed of.

The shares or units that are disposed of need to be identified to work out the cost base when calculating CGT.

There are 3 common ordering methods for parcel allocation when calculating CGT on shares or units:

- FIFO (first-in, first out), where the shares or units bought first are sold first, regardless of cost
- LIFO (last-in, first-out), where the shares or units bought last are sold first, regardless of cost
- HIFO (highest-in, first-out), sometimes also referred to as HCFO (highest-cost, first-out) – the most expensive shares or units bought are sold first, regardless of timing.

A different method of parcel selection may be applied for each parcel of shares or units sold. Most people use FIFO because it is the easiest to keep track of, however you can choose any of these 3 methods.

Capital losses

It is important to report all capital losses in your tax return, so they carry forward and can be applied against future capital gains.

You can only claim a loss for shares or units you have disposed of. You can't claim a 'paper loss' on investments you continue to hold because they may have decreased in value.

If you make a capital loss from the sale of your shares or units, the loss:

- can only reduce capital gains
- can be carried forward indefinitely to reduce future capital gains
- can't reduce your other income such as salary and wages
- can't be converted to revenue losses in future years, even if you haven't been able to reduce it against a capital gain.

You can also make a capital loss on your shareholding when an administrator or liquidator makes a written declaration that a company's shares are worthless.

Working out your net capital gain

There are 3 methods for working out your net capital gain. If eligible for more than one of the calculation methods, you can choose the method that gives you the best result. This is the method that gives you the smallest capital gain.

The 3 methods are:

- **Discount method** – reduce your capital gain by 50% for Australian resident individuals where the asset was held for 12 months or more before the CGT event.
- **Indexation method** – increase the cost base by applying an indexation factor based on the consumer price index (CPI). This method is only available for assets bought at or before 21 September 1999 and held for 12 months or more before the relevant CGT event.
- **The 'other' method** – subtract the cost base from the capital proceeds if the asset was owned for less than 12 months. In this case, the indexation and discount methods don't apply.

i To help you work out your calculation, use the [Capital gains tax record keeping tool](#).

Timing of a CGT event

The timing of a CGT event is important because it determines the income year you report your capital gain or capital loss in.

- If you sell or dispose of the shares or units, the CGT event happens when you enter the contract of sale.
- If there's no contract, the CGT event happens when you stop being the owner of the shares or units. For example, when you sell your shares or units.
- If you receive a distribution of a capital gain from a managed fund, you make the capital gain in the income year shown on your statement from the managed fund.

Disposing of shares or units

You can dispose of your shares or units:

- by selling them
- by giving them away
- by transferring them to a spouse due to a breakdown in your marriage or relationship
- through share buy-backs
- through [mergers, takeovers and demergers](#)
- because the company goes into liquidation.

Disposal of shares or units includes the sale, exchange or gifting of all or part of a share or unit. Before selling your shares or units, ensure you identify the correct date of disposal.

- If you dispose of shares or units you received as a gift, you must use the market value on the day that you received them. Use the market value as the first element of your cost base when working out your capital gain or loss.
- If you give shares or units as a gift, treat them as if you disposed of them at their market value on the date you gave this gift. This means a CGT event has occurred. You must include any capital gain or capital loss in your tax return for the income year you gave them away.

Scrip for Scrip rollover relief enables a shareholder to disregard a capital gain made from a share or unit that is disposed of as part of a corporate take-over or merger if the shareholder receives a replacement share or unit in exchange. However, scrip for scrip rollover is only available when the original and replacement interests being exchanged are of the same type. If you are eligible for the rollover, make sure you include the scrip for scrip rollover in the CGT section of your tax return when you lodge.

Disposing of inherited shares or units

When you sell shares or units you inherit, the normal rules for calculating CGT apply.

Depending on the circumstances, the cost base and acquisition date may be based on either:

- when the deceased acquired it
- when they died.

If the deceased acquired the asset:

- before 20 September 1985
 - you are taken to have owned it since the deceased died
 - your cost base is the market value of the asset on the day the deceased died, plus any other elements of their cost base
- on or after 20 September 1985
 - you are taken to have owned it since the deceased acquired the asset
 - your cost base is the deceased's cost base for the asset on the day they died.

Record keeping

You need to keep records of all your transactions associated with acquiring, holding and disposing of your shares or units.

Records may include:

- receipts of purchase, sale or transfer – for example, documents that show price, date and volume
- interest on money you borrowed relating to the asset
- accountant and legal costs
- brokerage fees on purchase and sale.

Records are generally required to be held for at least 5 years after the disposal of the shares or units (or year in which you declare a capital gain). If you make a capital loss, once you've offset the carried forward loss against a capital gain, you should keep your records for a further 2 years.

Foreign and temporary residents

Foreign and temporary residents are only subject to CGT if a CGT event happens to a CGT asset that is taxable Australian property.

For more information, see [Foreign residents and capital gains tax](#).

Always keep your details updated

Ensure your broker always has your correct personal details, such as full name, date of birth and tax file number (TFN).

This helps you because:

- your dividends won't be subject to the 47% no TFN withholding tax
- we can pre-fill more of your information for tax time.

Example: capital gain

On 6 November 1997 Ellie bought a parcel of 10,000 shares in AZY at \$2.50 per share.

Ellie was charged \$50 brokerage for the purchase transaction.

On 14 October 2024 Ellie decided to sell all her AZY shares due to their excellent price of \$6.40 per share. Ellie sold 10,000 shares at \$6.40 per share and her capital proceeds from the sale were \$64,000. She was charged \$30 brokerage for the sale transaction.

The cost base of the shares was \$25,080 ($10,000 \times \2.50 price per share + \$80 brokerage).

Ellie made a total capital gain of \$38,920 on the sale of her AZY shares ($\$64,000 - \$25,080$).

As Ellie held her shares for more than 12 months prior to the CGT event she was able to apply the discount method, reducing her total capital gain by 50%.

Ellie reported the sale of her AZY shares in her 2025 tax return by recording a:

- \$38,920 total current year capital gain
- \$19,460 net capital gain.

If you bought shares or units on behalf of your self-managed super fund (SMSF), make sure your broker set up your account using the super fund's details. Otherwise, the shares or units may be incorrectly matched to you as an individual.

Example: capital loss

On 10 November 2024 Trevor purchased a parcel of 18,000 shares in XYZ at \$3.60 per share.

Trevor was charged \$50 brokerage for the purchase transaction.

A few months later, Trevor's circumstances changed and he decided to sell his shares, even though the current price of the shares was lower than when he purchased them.

On 6 March 2025 Trevor sold all his 18,000 XYZ shares for a price of \$2.70 per share and his capital proceeds from the sale of the shares were \$48,600. He was charged \$40 brokerage for the sale transaction.

The reduced cost base of the shares was \$64,890 ($18,000 \times \3.60 price per share + \$90 brokerage).

Trevor has made a total capital loss of \$16,290 on the sale of his XYZ shares ($\$48,600 - \$64,890$).

Trevor can't offset his capital loss against his income earned from salary and wages in his tax return, however the capital loss can be carried forward indefinitely to offset against future capital gains.

Trevor reported the sale of his XYZ shares in his 2025 tax return by recording a \$16,290 capital loss.

i This is a general summary only.

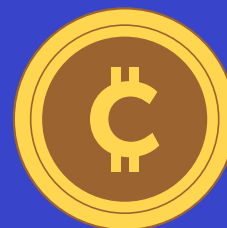
For more information, see ato.gov.au/shares and ato.gov.au/ETF or speak to a registered tax professional.





Australian Government
Australian Taxation Office

Tax and crypto asset investments



What you need to know when acquiring and disposing of all types of crypto assets.

Tax and crypto assets

How you interact with crypto assets determines if you need to report income, a capital gain or loss, and if you can claim a deduction.

If you exchange crypto assets for goods, cash, or other crypto assets then it's likely a disposal for the purposes of capital gains tax (CGT) and you may need to include a capital gain or loss in your tax return.

Make tax time easier by remembering these tips:

- Keep good records
- Report crypto in your tax return
- Report capital gains, losses, rollovers and exemptions
- Rollover and exemptions
- Personal use assets
- Calculate CGT correctly.

It's important to keep good records of each crypto asset and every transaction. You can find out more about the records you need to keep and how long to keep them at [Keeping crypto records](#).

Records you need to keep when you buy, hold or sell an investment

Buying (acquiring)

- receipts of transactions, or
- documents that display
 - the crypto asset
 - the purchase price in Australian dollars
 - the date and time of the transaction
 - what the transaction was for
- commission or brokerage fees on the purchase
- agent, accountant, and legal costs
- exchange records

Owning (holding)

- software costs related to managing your tax affairs
- digital wallet records and keys
- documents showing the date and quantity of crypto assets received via staking or airdrop

Selling (disposing)

- receipts of sale or transfer
- documents that display:
 - the crypto asset
 - the sale or transfer price in Australian dollars
 - the date and time of the transaction
 - what the transaction was for
- commission or brokerage fees on the sale or transfer
- exchange records
- calculation of capital gain or loss

✔ Report crypto in your tax return

What you need to do:

- convert the value of crypto assets to Australian dollars
- include the Australian dollar value of established tokens received by way of airdrops and tokens received as staking rewards as income at **Other income**
- include any capital gains or capital losses of crypto assets at the CGT labels on your tax return
 - if you made a capital gain, report it at 'Total current year capital gains' and 'Net capital gains'
 - if you made a capital loss, report it at 'Net capital losses carried forward to later income years'
 - if you're reporting over \$10,000 in capital gains and completing the CGT schedule with your tax return, report capital gains and losses at 'Other CGT assets and any other CGT events.'

You can work out your CGT using our [CGT calculator and record keeping tool](#). Alternatively, you can find a reputable Australian crypto tax calculator to sync your exchange and wallet accounts to assist in calculating your CGT.

Report capital gains and losses

You must report 'disposals' of crypto assets for CGT purposes if you:

- exchange one crypto asset for another crypto asset, including activities like depositing your crypto assets into liquidity pools and wrapping
- trade, sell or gift crypto assets
- convert crypto assets to a fiat currency – for example, to Australian dollars.

Transaction fees paid in fiat currency can be included in the cost base of the crypto asset you disposed of. However, if your crypto holding reduces during a transfer due to using crypto to cover the fee, the transaction fee is also a disposal and has CGT consequences.

You have a CGT obligation even if you:

- use the proceeds from selling crypto assets to buy more crypto assets
- don't convert the proceeds into fiat currency – for example, Australian dollars.

If you transfer crypto assets from one wallet to another wallet while maintaining ownership of it, it's not a disposal for tax purposes and doesn't need to be reported.

Personal use assets

Crypto assets are usually considered an investment and not a personal use item.

Even if you use your crypto asset investments to buy personal items, this won't change it from being an investment (see Example 1). This includes exchanging crypto assets for Australian dollars or gift cards or using an online payment gateway to buy personal items.

Example 1: investment in crypto assets

Rosa buys crypto assets with the intention of selling later at a better exchange rate.

She decides to buy some household items using some of her crypto. Because Rosa's intention was to use the crypto assets as an investment, the crypto assets she uses to buy household items **isn't** a personal use asset.

If Rosa makes a capital gain when she disposes of her crypto assets to buy household items, it won't be exempt.

When you get a crypto asset and use it in a short period of time to buy personal items, it could be a personal use asset (see Example 2).

A capital gain on the disposal of a crypto asset is exempt if:

- the crypto asset is a personal use asset that's mainly kept or used to purchase personal items
- you got your personal use crypto asset for less than \$10,000.

Example 2: personal use asset

Nikesh pays **\$50** to acquire crypto assets each fortnight to buy computer games. In the same fortnight Nikesh uses the crypto assets to buy computer games directly, where there's no conversion to a fiat currency first.

Nikesh doesn't hold any other crypto assets.

In these circumstances, Nikesh acquires and uses the crypto assets in a short period of time to buy personal items. When this occurs, the crypto assets are personal use assets.

In one fortnight, Nikesh sees a computer game he wants to buy from an online retailer that doesn't accept crypto assets. Nikesh uses an online payment gateway which buys the game on his behalf in exchange for his crypto assets. Even though the crypto asset was exchanged through the online payment gateway, it was still held and used in a short period of time to buy a personal item. In these circumstances, the crypto asset is also a personal use asset.

- For more information about personal use assets, see ato.gov.au/cryptopersonaluse

Calculate CGT correctly

If your crypto assets are held as an investment, you may pay tax on your net capital gains for the year.

To calculate your CGT use your total capital gain:

- subtract any capital losses
- subtract your entitlement to any CGT discount on your capital gain.

Note: Before calculating your capital gain or loss, convert your crypto purchases and disposals into Australian dollars (A\$).

When you purchase crypto assets in a fiat currency and transfer the crypto assets for another, the amount of the original purchase in the fiat currency forms part of your cost base (see Example 3).

Example 3: disposing of crypto assets purchased with fiat currency

Usha purchased 8,000 PZT for **\$5,500** Australian dollars. A few days later Usha exchanged her 8,000 PZT for 2 CAB. Usha needs to report her capital gain or loss from the disposal of crypto (PZT) in her tax return.

Usha's receipt shows she:

- used **\$5,500** Australian dollars to purchase 8,000 PZT
- was charged **\$5** for brokerage.

Usha's cost base is **\$5,500 + \$5**, which totals **\$5,505**.

Usha's exchange provides a receipt for the purchase of 2 CAB, but it doesn't include prices in Australian dollars. According to her exchange records, Usha exchanged 8,000 PZT for 2 CAB on 15 July 2024 at 1:30 pm.

At the time of this transaction, the market value of 2 CAB was **\$5,600** Australian dollars. Usha's capital proceeds are **\$5,600**.

Usha subtracts her cost base (**\$5,505**) from her capital proceeds (**\$5,600**), which results in a capital gain of **\$95**.

Usha is not eligible for a discount or exemption.

Usha keeps a record of her capital gain (**\$95**) on the disposal of her PZT to include in her 2025 tax return.

If you acquire crypto by exchanging it for other crypto, the cost base of the original crypto you disposed of in the exchange is the market value in A\$ at the time it was acquired (see Example 4).

Example 4: exchanging a crypto asset for another crypto asset

A few months later, Usha exchanged her 2 CAB for 0.1 BAT.

Usha's exchange records show she acquired 2 CAB on 15 July 2024 at 1:30 pm for 8,000 PZT. At the time of the transaction, the PZT had a market value of **\$5,600** Australian dollars.

Usha's exchange charges her a **\$10** brokerage fee to trade 2 CAB for 0.1 BAT.

Usha's cost base is **\$5,600 + \$10**, which totals **\$5,610**.

Usha's exchange provides a receipt for the acquisition of 0.1 BAT but it doesn't include prices in Australian dollars. Usha's receipt shows she disposed of her 2 CAB for 0.1 BAT on 10 January 2025 at 2:00 pm.

At the time of this transaction, the market value of 0.1 BAT is **\$7,000**. Usha's capital proceeds from the exchange of 2 CAB for 0.1 BAT is **\$7,000**.

Usha subtracts her cost base (**\$5,610**) from her capital proceeds (**\$7,000**), which results in a capital gain of **\$1,390**.

Usha isn't eligible for a discount or exemption.

Usha keeps a record of her capital gain (**\$1,390**) on the disposal of her CAB to include in her 2025 tax return.

Capital losses

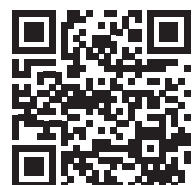
If you dispose of your crypto assets for less than it cost you, you may have a capital loss. Capital losses can be used to reduce your capital gains in the current or future income years.

Make sure you report the loss in your tax return so you have it available to offset future capital gains. For more information see [How to work out and report CGT on crypto](#).

This is a general summary only.

For more information:

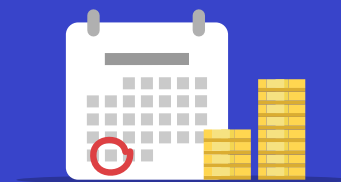
- see ato.gov.au/cryptoassets
- working out your capital gain go to ato.gov.au/CGT





Australian Government
Australian Taxation Office

Pay as you go (PAYG) instalments



PAYG instalments can reduce a potential tax bill when earning income from investments like rent, interest or dividends.

How PAYG instalments work

Pay as you go (PAYG) instalments allow you to make regular payments during the income year towards your expected end of year tax liability. By paying regular instalments throughout the income year, you will reduce any potential amount you may have to pay when you lodge your tax return.

Automatic entry

We will enter you into PAYG instalments if you have all of the following:

- instalment income, including investment and business income – from your latest tax return of \$4,000 or more
- tax payable on your latest notice of assessment of \$1,000 or more
- estimated (notional) tax of \$500 or more.

If we automatically enter you into PAYG instalments, we will notify you explaining how they work and what you need to do.

You will hear from us through:

- a letter in your myGov Inbox
- Online services for business, or
- Standard Business Reporting (SBR) software.

If none of these apply, you or your registered tax agent will receive a letter in the mail.

Voluntary entry

If you're expecting to earn business and investment income over the threshold, it's a good idea to [voluntarily enter PAYG instalments](#).

You can voluntarily enter using your myGov account linked to the ATO's online services:

- select **Tax**
- select **Manage**
- select **Tax Registrations**
- in the Add new registration box, select **Register**
- select **PAYG instalments** from the drop-down box.

You can also enter through your registered tax agent or by phoning us.

Calculating your PAYG instalments

You can choose from 2 options to work out how to pay:

- **instalment amount** is the simplest option as you pay the amount we calculate for you
- **instalment rate** is when you work out the amount you pay using your investment income and allowable tax deductions and the rate we provide.

Calculating by **instalment rate** is best if your instalment income changes a lot and you want to manage your cashflow. You will need to apply the rate to your income for each period.

Varying PAYG instalments

You can [vary your PAYG instalments](#) if your investment or business income reduces or increases compared to the prior income year.

Your variations must be lodged on or before the day your instalment is due.

Your varied amount or rate applies for the remaining instalments for the income year or until you make another variation. Use the [PAYG instalment calculator](#) to help you work out your new instalment amount or rate.

Example 1: PAYG instalments for investment income

Fiona sells her home in 2022–23 and decides to rent while she invests her profits from the sale, rather than buying a new home straight away.

Fiona lodges her 2023–24 tax return and reports \$10,000 of interest and dividends earned on her investments. She receives her notice of assessment with a tax debt of \$1,200.

Fiona is now required to make PAYG instalments and starts paying her instalments quarterly.

In April 2025, Fiona buys a new home with the money she invested. She can either use myGov or phone the ATO to advise that she no longer has an investment. Fiona logs onto her myGov account and exits the system.

The exit is effective from 1 April 2025 because she continued to receive instalment income for the January to March 2025 quarter. She lodges her March 2025 quarter instalment notice on the due date of 28 April 2025.

Example 2: income from interest

Pedro has \$500,000 deposited in a high interest savings bank account, which pays 5% p.a. He estimates that he will earn \$25,000 in interest on the account for the income year. Pedro pays \$200 in bank fees on his account.

Pedro uses the [PAYG instalments individuals calculator](#) to see if he's eligible to voluntarily enter PAYG instalments. He enters his:

- total investment income of \$25,000
- taxable income of \$24,800 (\$25,000 [investment income] – \$200 [bank fees]).

The calculator estimates Pedro needs to pay \$1,306 tax this income year. He is eligible to voluntarily enter PAYG instalments. If he doesn't enter, he will receive a tax bill when he lodges his next tax return and will automatically be entered into the system for the following income year.

To work out how much he needs to pay in instalments each quarter, Pedro divides his total estimated tax liability from the calculator by 4 to calculate quarterly instalments:

$$\$1,306 \div 4 = \$326.50$$

He needs to pay this when he receives his quarterly instalment activity statement if he chooses to voluntarily enter PAYG instalments.

 **This is a general summary only.**

For more information on PAYG instalments go to ato.gov.au/paygi

