# Tax Facts - Capital Gains Tax

Capital gains tax (CGT) generally applies to CGT events that happen to CGT assets acquired after 19 September 1985. CGT is not a separate tax, it forms part of income tax.

**CGT events**

The most common CGT event is the disposal of an asset by selling it or giving it away. A full list of CGT events is available here.

**CGT assets**

A CGT asset is any kind of property, or a legal or equitable right that is not property. CGT assets include:

- part of, or an interest in, a CGT asset
- goodwill, or an interest In it
- an interest in a partnership asset
- an interest in a partnership, that is not an interest in a partnership asset
- land and buildings
- shares in a company
- units in a unit trust
- options
- debts owed to a taxpayer
- a right to enforce a contractual obligation
- foreign currency.

Where a taxpayer owns an interest in a CGT asset and then acquires a further interest, the interests remain separate CGT assets. Buildings, structures and other capital improvements to land may be treated as separate CGT assets to the land. A car is a CGT asset, but any capital gain made from it is exempt from CGT (the gain may be taxable under other provisions).

Special rules apply to some kinds of CGT assets, including collectables, personal use assets, certain investments, leases and options.

**Working out a capital gain or loss**

For most CGT events, a capital gain arises if the capital proceeds from the CGT event exceed the cost base of the CGT asset. Conversely, a capital loss arises if the reduced cost base of the CGT asset exceeds the capital proceeds from the CGT event.

The amount of a capital gain is reduced by the CGT discount if the taxpayer is an individual, trust or complying superannuation entity, and the taxpayer acquired the CGT asset at least 12 months before the CGT event. The discount percentage is as follows:

- 50% for Australian resident individuals
- 33 1/3% for complying superannuation entities and eligible life insurance companies
- special rules apply to foreign resident individuals.

Taxpayers can choose the indexation method, rather than the CGT discount, if that results in a lower capital gain. Companies are generally not eligible for the CGT discount, but can use the indexation method. Discount capital gains made by trusts can generally be passed through to presently entitled beneficiaries, who can claim the discount percentage as above. Where the trustee is taxed on a capital gain, the availability of the discount depends on the particular circumstances of the trust.

Capital losses can only be offset against capital gains, they cannot be offset against other income. Care should be taken when applying capital losses to ensure the optimum reduction of capital gains for the CGT discount and small business CGT concessions. A net capital loss in an income year is carried forward to be offset against capital gains in later income years.

**Exemptions, rollovers and concessions**

A wide range of exemptions and rollovers apply. In addition to the generally available exemptions and rollovers, small business entities are eligible for the small business CGT concessions.

**International issues**

On or after 12 December 2006, a foreign resident makes capital gains only on the disposal of taxable Australian property.  Temporary residents are subject to the same CGT rules as foreign residents, however some specific rules apply. Special rules apply on becoming a resident or ceasing to be an Australian resident.