**CAPITAL GAINS TAX – THE BASICS**

This information is of a general nature only, to assist in record-keeping and information requirements for the capital gains tax calculation. For more information search the Australian Tax Office website for “Personal investors guide to capital gains tax 2023 To help you complete your tax return for 1 July 2022 – 30 June 2023”

CGT only applies to assets purchased after September 19, 1985.

CGT does not apply to your principal residence.

Special circumstances apply if Capital Gain resulted from – being destroyed – being compulsorily acquired, transferred as the result of a court order or was the result of the sale of an inherited asset.

1. When you sell an asset for;

* More than it cost you – it’s a capital gain
* Less than it cost you – it’s a capital loss

1. Capital gains tax is essentially a tax on the profit made from buying and selling an Asset.
2. The Asset may be real estate, shares, Art-work.
3. You pay tax on NET capital gains, this is;

* You total capital gains
* Less any capital losses (including net losses from the previous year)
* Less any discount you are entitled to on your gains.

1. There is a capital gains tax discount of 50 % for Australian individuals who own an asset for 12 months or more. The discount is 33.33 % for Super Funds. There is no discount for Companies.
2. The date an asset is sold is the contract date, not the settlement date.
3. The NET capital gain is added to your other income for the year, and therefore the tax rate on the capital gain depends upon which tax bracket your total income will fall into.
4. If you make a Capital loss it is not deducted from your other income for the year but you can carry it forward to reduce capital gains you may make in future years.

**Work out the TOTAL cost of the asset and exact date it was acquired.**

The cost paid for the Asset plus certain other costs to acquire the asset e.g. Stamp Duty, Legal Fees, Conveyancing Fees, Brokerage Fees, Capital Improvement Costs.

**Work out the NET Sale proceeds of the asset and exact date is was sold.**

The sale price of the Asset less certain costs to dispose of the asset e.g. Real Estate Agent Commission, Advertising and Marketing costs, Conveyancing Fees

NET Sale Proceeds less TOTAL asset cost = Capital Gain/Loss

Then apply the steps as per point 4 and 7 or 8 above.