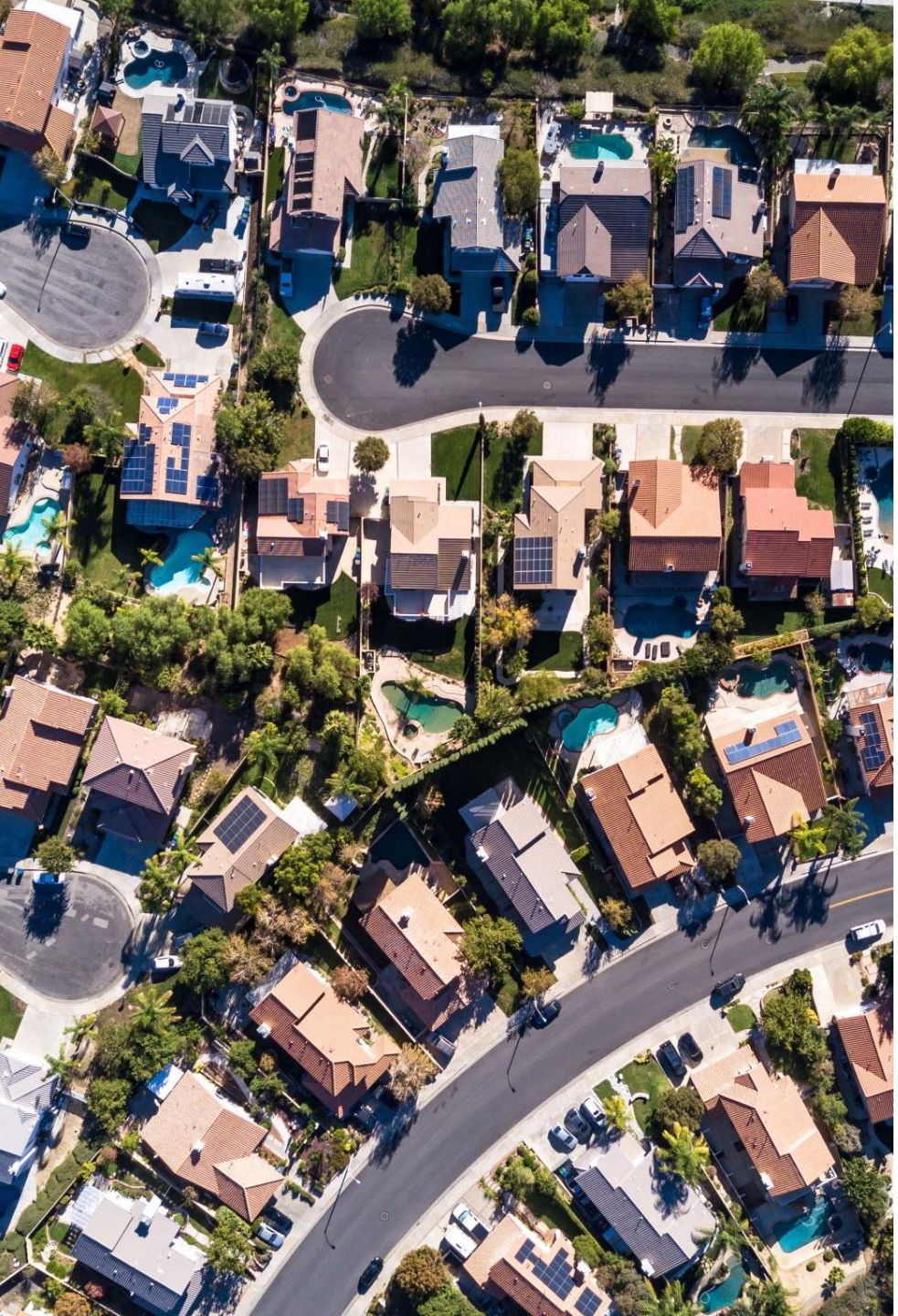


CAPITAL GAIN TAX ON RENTAL PROPERTY & CRYPTOCURRENCY

TRAINING- AUGUST 2023 BATCH



APPLICABILTY

- Any property acquired on or after 20th September 1985
- Property improvements and additions made after 20th September 1985 may be subject to CGT even though property acquired before 20th September 1985
- Most property subject to CGT and it includes

  1/ Business Premises

  2/ Rental Properties

  3/ Holiday Houses



Exemption From CGT on Property

- Main residence is exempt from CGT with certain pre- condition

  1/ you rent out part of it

  2/ you use it for business

  3/ it is on more than 2 hectares of land

  4/ you are a foreign resident and you do not satisfy the requirements

  of the Life Event Test at the time CGT event happens

  - If you meet **all** these conditions, you do not pay tax on any capital gain when you sell your home and you ignore any capital loss.
  - If you do not meet all these conditions, you may still be entitled to a partial exemption. You can work out the proportion that is exempt using the CGT property exemption tool.
- From 1 July 2021, capital gains tax (CGT) does not apply when a granny flat arrangement is created, varied or terminated.
- A granny flat arrangement is a written agreement that gives an eligible person the right to occupy a property for life.

Life Events Test

When you dispose of your residential property, you satisfy the requirements of the life events test if **BOTH** of the following are true:

- you were a foreign resident for tax purposes for a continuous period of 6 years or less
- during that period, one of the following occurred
  - you, your spouse or your child under 18 had a terminal medical condition
  - your spouse or your child under 18 died
  - the CGT event happened because of a formal agreement following the breakdown of your marriage or relationship.
- If you satisfy both these criteria and meet the general requirements for the exemption, you can
  - claim the main residence exemption
  - use the exemption as a reason to vary the capital gains withholding that would otherwise apply to your property.

Disposal of property by 30th June 2020

- If you acquired a property before 7:30 pm (Canberra time) on 9 May 2017, and
- disposed of by 30 June 2020

You do not need to apply for the life events test. You can claim the main residence exemption if you meet both of the above requirements in addition to the general requirements for the exemption.

Cost Base of Property

- The cost base is usually the cost of the property when you bought it, plus any costs associated with acquiring, holding and selling it and it made of 5 elements
- Element 1: Money paid, or property given for CGT asset
- Element 2: Incidental costs of acquiring, selling or disposing of the such as stamp duty, legal fees and valuation fees.
- Element 3: Costs of owning CGT assets such as 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.
- Element 5: Capital costs of preserving or defending your title or rights to your CGT assets such as legal fees.





Methods of Calculating CGT & Timing

- Majorly 2 methods:

  1/ Discount Method

  2/ The Other Method

- **Discount Method**: Reduce your capital gain by 50% for resident individuals where the asset was held for 12 months or more before the CGT event.

- The Other Method: subtract the cost base from the capital proceeds (sale price) if the asset was owned for less than 12 months.

- 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 6 YEAR Rule

Normally main residence is exempt from CGT but can be continued to be treated as main residence **up to 6 years**(**if and only if it's used to produce income**) even though you stopped living in it that means it must be first considered as your main residence before renting out.

indefinitely, if it's not used to produce income.

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

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).

The 6 YEAR Rule

- Usually, your main residence is exempt from CGT.
- For CGT purposes you can continue treating a property as your main residence, even though
  - For up to 6 years, you used it to produce income, such as rent
  - indefinitely if you didn't use it to produce income.

- If the property was continuously your main residence, the usual rules for the main residence exemption apply. This means if you use it to produce income, such as rent, you will be entitled to only a partial main residence exemption from CGT.
- If you are a foreign resident when a CGT event happens to your residential property in Australia (for example, you sell it), you aren't entitled to claim the main residence exemption.

Example:

- Carline bought and moved into a house in 2003 and stopped living in the house in 2013.
- She has sold the house in 2023.
- During the period after she moved out, Carline rented the house out for 3 years and left it vacant for 2 years.
- She has rented it out again for 3 years and left it vacant for 2 years.
- The total period Carline used the house to produce income was 6 years, which meets the 6-year limit for treating it as her main residence. It doesn't matter if the 6 years is broken.
- Carline can choose to treat the house as her main residence for the entire 10-year period after she stopped living in it and disregard her capital gain or loss on the sale of the house.
- Carline must include the CGT event in her tax return in the year of the contract sale date, even if she chooses to treat the house as her main residence for the period she stopped living in it. Lisa can claim the 'Main residence exemption' in her tax return.

Documents which are needed to calculate CGT:

Acquisition of Property

- ✓ Purchase contract
- ✓ Settlement Statement of Purchase
- ✓ Stamp duty
- ✓ Legal Fees
- ✓ Valuation Fees

Disposal of Property

- ✓ Sale contract
- ✓ Settlement statement of Sale
- ✓ Sales Commission
- ✓ Legal Fees

- ✓ Loan Statement (If any)
- ✓ Rates & Taxes invoices
- ✓ Rental income summary
- ✓ Any improvements/extensions made.

Computation of Capital Gain/Loss for rental property:

Net Sale of asset - Total cost base of asset = Capital gain/loss

Net sale of asset:

Expenses which are to be considered for sale

- Sale price
- Selling Expenses (Commission expenses, Professional expenses, Council rates/ESL, Pexa fees, Legal fees, Mortgage Fees)

Net Sale = Sale price – Selling Expenses

Total cast base of asset:

Expenses which are to be considered for purchase

- Property purchase price
- Stamp duty
- Registration
- Disbursement fees
- Strata maintenance
- Legal fees

Reference:

Computation of cost base of asset

Josephine Licciardello

CAPITAL GAINS CALCULATION ON SALE OF PROPERTY (Does not include indexation)
YEAR ENDED 30TH JUNE, 2021

Property Address: 8/262 Maroubra Road, Maroubra
Purchase Contract Date: 16/09/2020
Sale Contract Date: 30/04/2021

	Excluding GST
Cost Base of Asset	
Acquisition or Purchase Price	$864,000.00
- Purchase cost of depreciable assets	
	864,000.00
Incidental Costs relating to Acquisition (items that weren't expensed)	
+ Professional services (eg: legal fees; broker fees)	89,367.40
+ Stamp duty	26,835.00
+ Advertising costs (eg: to find a seller)	
+ Valuation fees	
+ Agents commission	
	116,202.40
Other non-capital costs relating to ownership of the asset (items that aren't deductible)	
+ Interest on money borrowed	
+ Costs of maintaining, repairing & insuring	
+ Rates or land taxes	
	0.00
+ Capital costs to increase the asset's value (if applicable)	
+ Capital costs to defend title to the CGT asset (if applicable)	
- Building write off claimed as a deduction	
TOTAL COST BASE OF ASSET	**$980,202.40**

Acquisition & Disposal statement

Property Sold (EXCHANGED) 30TH April 2021

Tax 2020/2021 (Cont'd) (P.3.)

8/262 MAROUBRA ROAD, MAROUBRA – ACQUISITION & DISPOSAL

ACQUISITION

Property was acquired thru mediation finalizing court proceedings between Innisfail Resources (Barbagallo) and Josephine, Grace Marie & Charles John. It was agreed that the plaintiffs would be liable for any stamp Duty and/or Capital Gains Taxes.

Cost Base on Josephine Grace Marie and Charles John acquired from Innisfail Resources on the 16/09/2020

Gross Price (valuation by SP Commercial 16/9/2020)	$864,000.00
+ Legals including finalizing court process for 20/21	$ 56,660.32
+ Legals final Costs for Litigation for 21/22	$ 32,707.08
+ Stamp Duty from Innisfail Resources	$ 26,835.00
TOTAL Base Acquisition Costs	$980,202.40

Property sold:	30/04/2021 (exchanged)	
Gross Price:		$922,000
Net Legal fees on conveyancing	$ 2,846.69	
Less Ray White Surry Hills	$ 21,988.00	
Less Bower Bird – styling	$ 4,736.00	
Less Wynstan Blinds	$ 883.00	
Nett Proceeds on sale	$891,546.31	

Capital Gain/Loss on Disposal 30/4/2021 -($88,656.09)

This Capital Loss is to be split as:
JOSEPHINE -$29,552.03; CHAS -$29,552.03; GRACE -$29,552.03

RENT FOR 17/240 FRANKTON ROAD, NEW ZEALAND

Computation of sale of asset

Consideration on Sale of Asset

Sale price per purchase contract	$922,000.00
- WDV of depreciating assets sold (per PA/APS)	
- Legal fees on sale	2,846.69
- Agents commission on sale	21,988.00
- Advertising costs (eg: to find a buyer)	
- Rates	
- Wynstan Blinds	883.00
- Bower Bird- Styling(Interior Designer)	4,736.00
NET CONSIDERATION ON SALE OF ASSET	**$891,546.31**
GROSS CAPITAL GAIN/(LOSS)	**-$88,656.09**

Acquisition & Disposal statement

Property Sold (EXCHANGED) 30TH April 2021

Tax 2020/2021 (Cont'd) (P.3.)

8/262 MAROUBRA ROAD, MAROUBRA – ACQUISITION & DISPOSAL

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THE END