CARISMA SOLUTIONS

CAPITAL GAIN TAX

Label 18 - CGT

- **CGT is the tax on the profit (capital gain)** when you sell an asset.
- It’s not a separate tax—capital gains are added to your **taxable income**.
- Applies when a **CGT event** happens (like selling or gifting an asset).

Carisma Solutions confidential. Please do not distribute.

Common CGT Assets

- Real estate (investment properties, land)
- Shares, ETFs, managed funds
- Cryptocurrency
- Business goodwill and intellectual property
- Personal-use assets over certain thresholds

Carisma Solutions confidential. Please do not distribute.

What is a CGT Event?

A CGT event occurs when:

- You **sell, gift, transfer, or exchange** an asset
- An asset is **lost, destroyed, or stolen**
- Shares or crypto are **converted or swapped**
- You receive a **capital gain distribution** from a fund

Carisma Solutions confidential. Please do not distribute.

Capital Gain vs Capital Loss

- **Capital Gain**: When your sale price > cost base (profit)
- **Capital Loss**: When your sale price < cost base (loss)
- **Net capital gain** = total capital gains – capital losses – CGT discount

Cost base includes:

Purchase price + stamp duty + legal fees + improvement costs

Carisma Solutions confidential. Please do not distribute.

What is Label 18 on the Tax Return?

Label 18 = Capital Gains Section

(Supplementary part of individual tax return)

Label	What to Enter
G	Did a CGT event occur? (Yes/No)
H	Total capital gains (before discounts)
I	Total capital losses (current and prior years)
J	Net capital gain (amount added to taxable income)

Carisma Solutions confidential. Please do not distribute.

How to Calculate a Capital Gain

Example:

- Bought crypto for $10,000
- Sold for $16,000
- Capital Gain = $6,000

  Held over 12 months → Apply 50% discount

  Taxable Gain = $3,000

📌 **Include this $3,000 in Label 18J** and it adds to your income for tax purposes.

Carisma Solutions confidential. Please do not distribute.

CGT Calculation Methods

1. Discount Method

- For individuals/trusts
- 50% discount (if asset held ≥ 12 months)

2. Indexation Method

- Only for assets acquired before 21 Sept 1999
- Adjusts cost base using inflation

3. Other Method

For short-term holdings (held < 12 months)

Carisma Solutions confidential. Please do not distribute.

CGT Discount Rules

- **Individuals & Trusts** → 50% discount
- **Super Funds** → 33.33% discount
- **Companies** → ❌ No CGT discount
- Must **hold asset for at least 12 months**
- Discounts apply **after subtracting any capital losses**

Carisma Solutions confidential. Please do not distribute.

Capital Losses

- Only offset **capital losses against capital gains**
- Can carry forward unused losses **indefinitely**
- Losses from personal-use assets are **not deductible**

Report losses in Label 18I

Use them to reduce the amount in Label 18J

Carisma Solutions confidential. Please do not distribute.

Main Residence Exemption

Your **home is generally CGT-free** if:

- You lived in it the whole time
- It was not used to produce income (e.g., rented out)
- You claim it as your main residence

📌 If you **rent it out**, partial exemption or CGT may apply

Carisma Solutions confidential. Please do not distribute.

Small Business CGT Concessions

Available if:

- Business assets used for at least 15 years
- Business turnover under $2 million (or $6M net asset test)

✅ Concessions:

1. 15-Year Exemption
2. 50% Active Asset Reduction
3. Retirement Exemption (up to $500k lifetime)
4. Rollover (defer CGT by reinvesting)

Carisma Solutions confidential. Please do not distribute.

🔄 Slide 12: Rollover and Exemptions (Label 18A–18X)

If you used a **CGT rollover or exemption**, you must indicate at **Labels 18A–18X**

Examples:

- Small business rollover (18C)
- Scrip-for-scrip rollover (18F)
- Demerger rollover (18R)
- Same asset rollover (18S)

Main residence exemption (not reported in 18 if fully exempt)

Carisma Solutions confidential. Please do not distribute.

Reporting Tips

- **Use the ATO’s my Tax or CGT calculator**
- Keep all records: contracts, receipts, agent fees, improvement costs
- Use a tax agent if you:
  - Have complex investments
  - Sold property, crypto, or international assets

Carisma Solutions confidential. Please do not distribute.

Quick Summary

| CGT Applies To | Property, shares, crypto, business assets | | CGT Discount | 50% for individuals (≥12 months held) | | Report Gains | Label 18H (gross), 18J (net) | | Report Losses | Label 18I | | Main Home | Usually exempt | | Use CGT Calculator | ato.gov.au/CGT

Carisma Solutions confidential. Please do not distribute.

🏡 Main Residence Exemption (MR Exemption) – ATO CGT Rule

The **main residence exemption** allows you to **avoid paying Capital Gains Tax (CGT)** on the sale of your **home**, provided certain conditions are met.

✅ When You Can Claim Full CGT Exemption:

You won't pay CGT if:

- You **lived in the property as your main residence** from the time you bought it
- The property was **never used to produce income** (not rented or used for business)
- The land is **2 hectares or less**

💡 In this case, **you do not report the capital gain** in your tax return.

Carisma Solutions confidential. Please do not distribute.

🗓️ The “6-Year Rule” (Temporary Absence Rule)

Under ATO rules, if you **move out** of your main residence and rent it out, you may still claim it as your main residence for **up to 6 years** — and continue to get the CGT exemption!

📌 Key Points of the 6-Year Rule (FY25):

- You can **treat the property as your main residence for CGT** for up to **6 years after moving out** if you **don’t treat any other property** as your main residence during that time.
- The 6 years **resets** every time you move back in and re-establish it as your main residence.

Carisma Solutions confidential. Please do not distribute.

📜 Example – 6-Year Rule in Action:

- You bought a home on 1 July 2016 and lived there until 30 June 2020.
- You moved out and rented it from 1 July 2020 to 30 June 2025 (5 years).
- You sold the property on 1 July 2025.

🏠 Even though it was rented, you can still claim **full CGT exemption** because:

- You **only treated one home as your main residence**
- You sold it **within the 6-year window**
- You **did not treat another property** as your main residence in this time

✔️ Result: **No CGT payable**.

❌ But if you rent it for **more than 6 years**, the **gain after 6 years is taxable**.

Carisma Solutions confidential. Please do not distribute.

CARISMA SOLUTIONS

THANK YOU