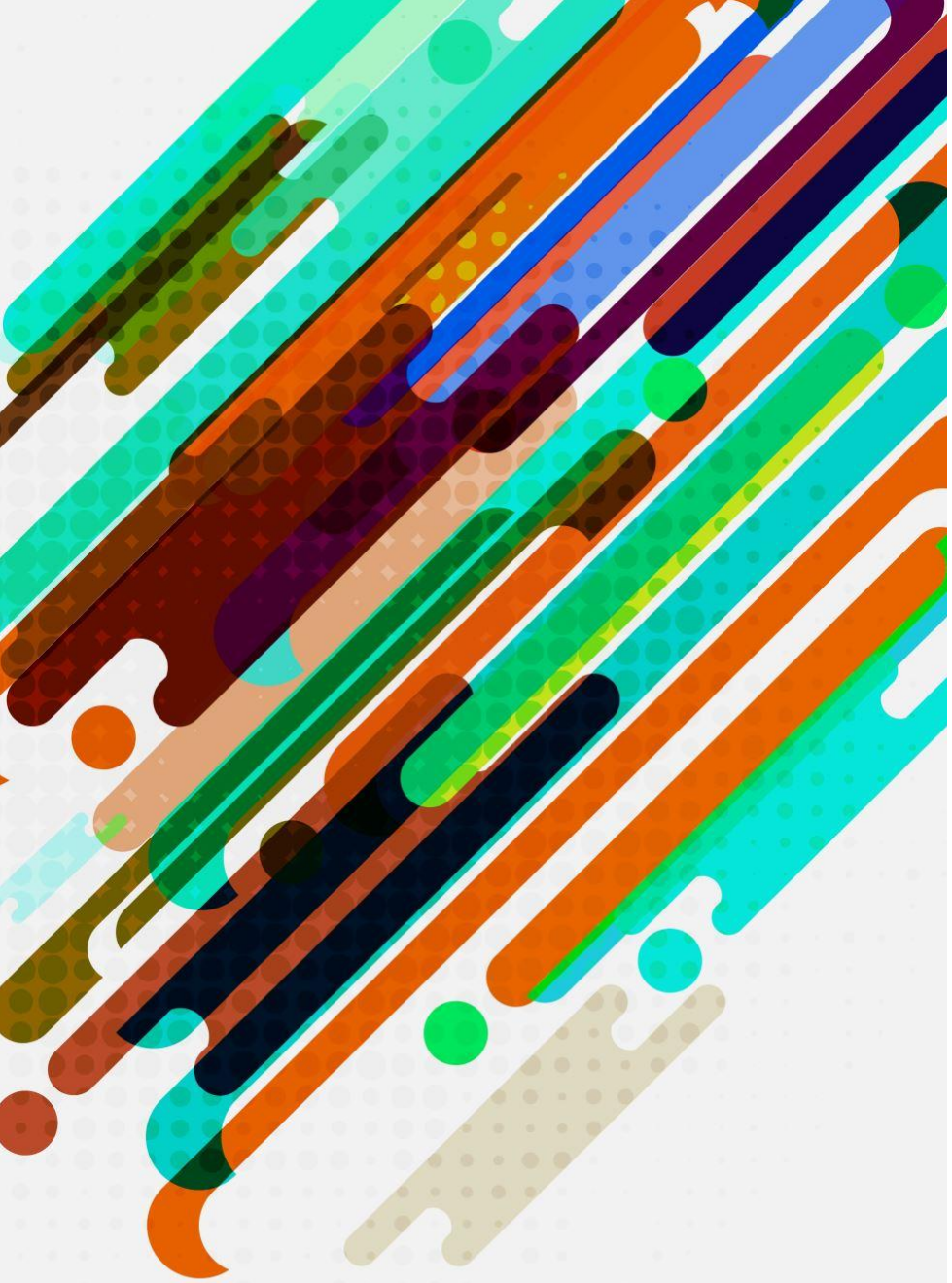
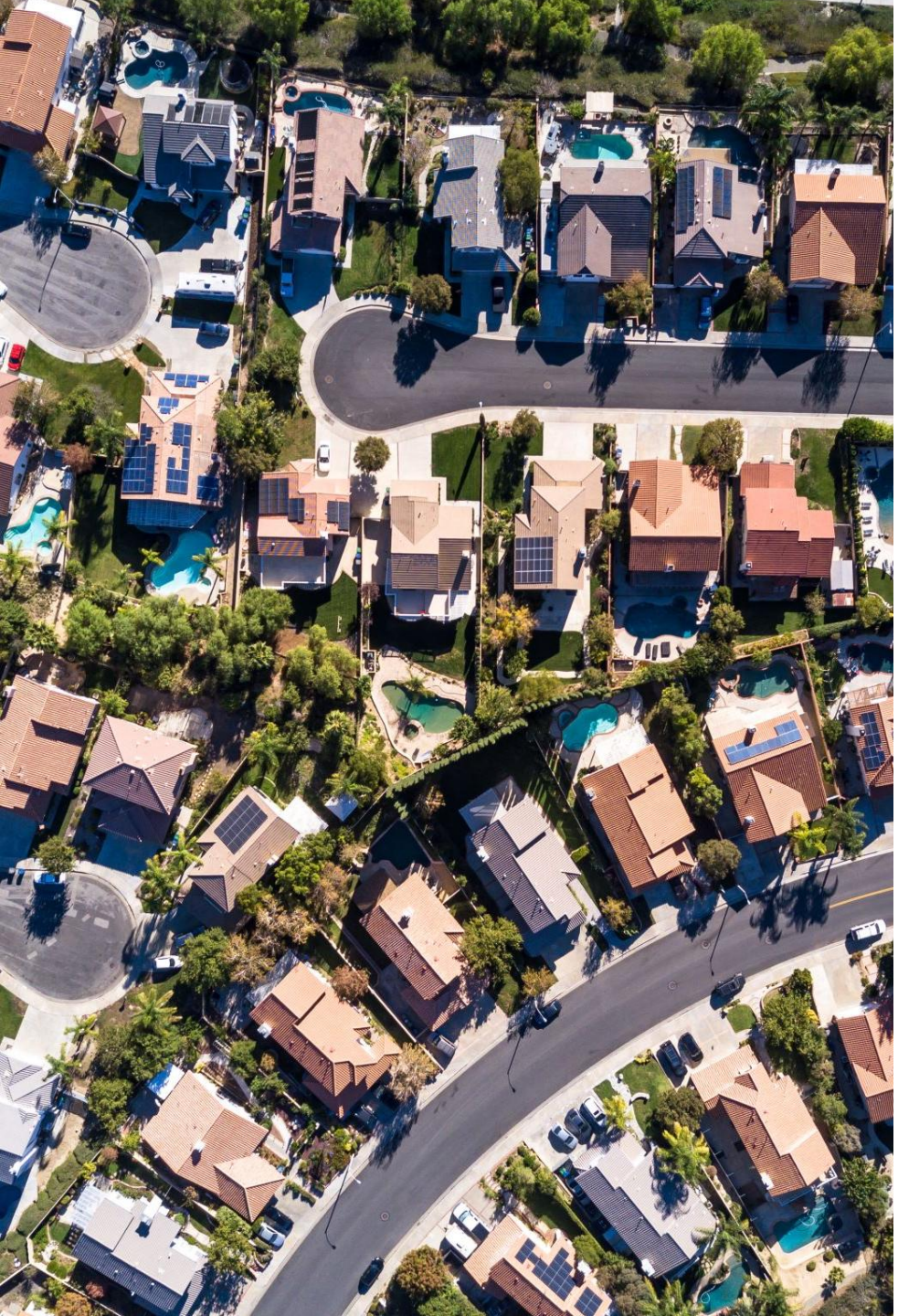


CAPITAL GAIN TAX ON RENTAL PROPERTY & CRYPTOCURRENCY



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

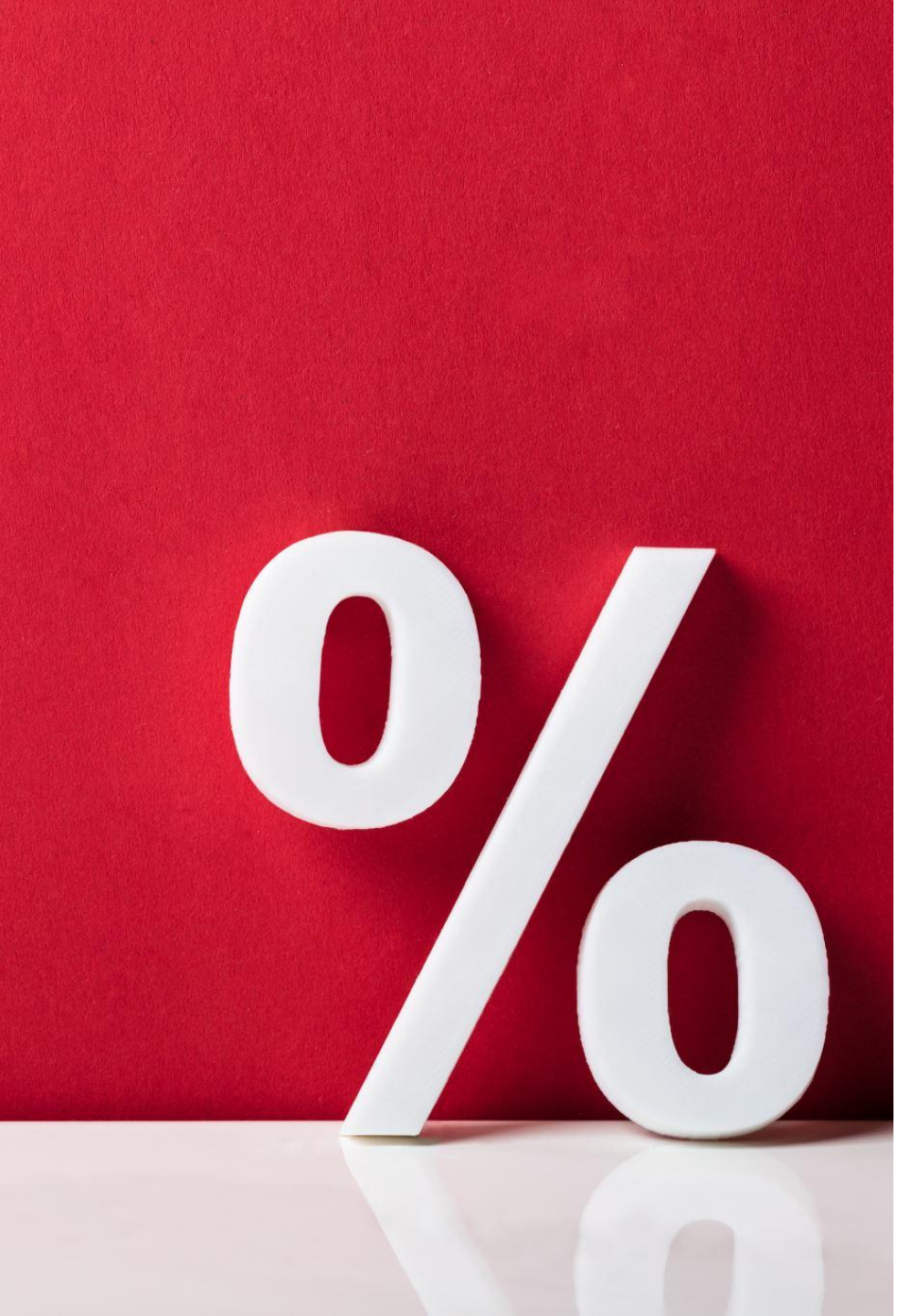
  of the Life Event Test at the time CGT event happens

- 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.

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.

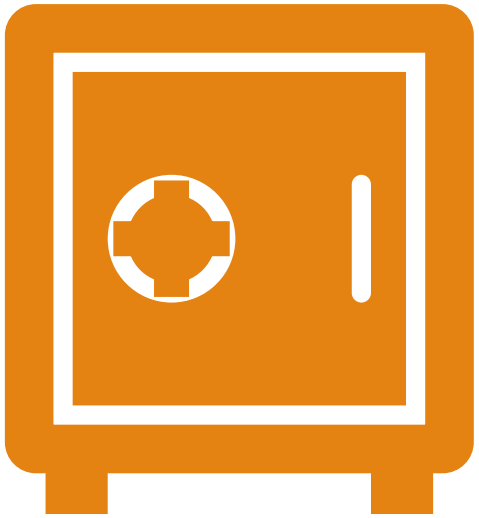
indefinitely, if it's not used to produce income.

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).

CGT on Cryptocurrency

- Most common use of crypto is as an investment, in which case the crypto asset is a capital gains tax (CGT) asset.
- May be able to reduce capital gains using the CGT discount if you hold your crypto asset for at least 12 months.
- If you hold the crypto asset as an investment, it will not be exempt from CGT as a personal use asset.
- You will make a capital gain if the proceeds from the disposal of your crypto asset is more than its cost base.



Timing of CGT Event:

- sell a crypto asset
- gift a crypto asset
- trade, exchange or swap one crypto asset for another
- buy goods or services with a crypto asset.

Methods of Calculating CGT

Majorly 2 methods:

1/ Discount Method

2/ Other Method

Note: Same as discussed in CGT on rental property.

Pre- Conditions Before Calculating CGT:

1/ Keep all records handy for crypto assets and crypto transactions

2/ Convert the value of crypto assets into Australian dollar.