Australian Government
Australian Taxation Office

Treating former home as main residence

How the CGT main residence exemption works if you move out and use the 6-year rule when renting out your former home.

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How it works

Your main residence (your home) is generally exempt from CGT.

Usually, a property stops being your main residence when you stop living in it. However, for CGT purposes you can continue treating a property as your main residence:

- for up to 6 years if you used it to produce income, such as rent (sometimes called the '6-year rule')
- indefinitely if you didn't use it to produce income.

During the time that you treat the property as your main residence after you stop living in it:

- It continues to be exempt from CGT (the same as if you were still living in it, even if you start renting it out after you leave).
- You can't treat any other property as your main residence (except for up to 6 months if you are moving house (/individuals-and-families/investments-and-assets/capital-gains-tax/property-and-capital-gains-tax/your-main-residence-home/moving-to-a-new-main-residence)).

Eligibility

The property must have:

- been your main residence first – you can't apply the main residence exemption to a period before a property first becomes your main residence (for example, if you rented out your home before you lived in it, the main residence exemption doesn't apply to the period you rented out your home)
- stopped being your actual main residence (/individuals-and-families/investments-and-assets/capital-gains-tax/property-and-capital-gains-tax/your-main-residence-home) – that is, you stopped living in it.

If the property was continuously your main residence (/individuals-and-families/investments-and-assets/capital-gains-tax/property-and-capital-gains-tax/your-main-residence-home), 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), generally you aren't entitled to claim the main residence exemption. See Main residence exemption for foreign residents (/individuals-and-families/investments-and-assets/capital-gains-tax/foreign-residents-and-capital-gains-tax/main-residence-exemption-for-foreign-residents).

When and how to make the choice

You choose to treat a property as your main residence in the income year a CGT event happens to the property when preparing your tax return – for example, the year you sell it based on the contract sale date, **not** the settlement date.

You may own both the property:

- you choose to treat as your main residence when you no longer live in it
- you actually lived in.

In this case, you make the choice in the income year you first sell one of those properties.

To see how to complete myTax when you've sold a rental property, watch our video How to complete myTax when you've sold a rental property (https://tv.ato.gov.au/ato-tv/media?v=bi9or7odtggh5r).

Former home not used for income

If you don't use your former home to produce income (for example, you leave it vacant or use it as your holiday house) you can treat it as your main residence for an unlimited period after you stop living in it. This only applies if you aren't treating another property at the same time as your main residence.

Example: former home not used to produce income

Bill bought a unit and lived in it for 3 years. He then moved out to live with a friend while his son occupied the unit rent free.

Bill didn't treat any other property as his main residence.

Twelve years later, he sold the unit and claimed the main residence exemption from CGT.

Former home used for income

If you use your former home to produce income (for example, you rent it out or make it available for rent), you can choose to treat it as your main residence for up to 6 years after you stop living in it. This is sometimes called the '6-year rule'.

You can choose when to stop the period covered by your choice. For example, if you rented it out for 5 years, you can choose to treat the property as your main residence for 3 years.

If you're absent more than once when owning the property, the 6-year period applies to each period of absence. A period of absence stops when you either stop renting your home and:

- move back in
- leave it vacant.

Watch: Selling a rental property that was your home



Media: Selling a rental property that was your home https://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfs6pgq (https://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfs6pgq) (**Duration:** 03:17)

Example: ending the period covered by the choice early

James:

- signed a contract to buy a house in Brisbane on 15 September 2012 and moved in as soon as the contract settled.
- moved to Perth on 10 October 2014 and rented out his Brisbane house
- signed a contract to buy a new house in Perth on 3 October 2019 and moved in as soon as the contract settled
- signed a contract to sell the house in Brisbane on 1 March 2024.

When he completed his 2023–24 tax return, James decided to treat the Brisbane house as his main residence for the period after he moved out in October 2014 until he purchased his new main residence in Perth in October 2019. This is a period of less than 6 years. This means James is entitled to claim a partial main residence exemption under the '6-year rule'.

As James decided not to treat the Brisbane house as his main residence after he bought the Perth house, he is subject to CGT for that period. This means James must include a capital gain or loss in the period not covered by the main residence exemption in his 2024 tax return (from October 2019 until March 2024).

Example: dwelling used to produce income for up to 6 years

Lisa:

- signed a contract to buy a house in 2002 and moved in as soon as the contract settled
- stopped living in the house in 2013
- signed a contract to sell the house in 2023.

While she lived in the house, she didn't use it to produce income.

During the 10-year period after she moved out, Lisa:

- rented the house out for 3 years
- left it vacant for 2 years
- rented it out again for 3 years
- left it vacant again for 2 years.

The total period Lisa 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. While the house is vacant, the period is unlimited because the house is not being used to produce income.

Lisa 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.

Lisa 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.

Example: dwelling used to produce income during multiple absences

Jez signed a contract to purchase a house in 2004 and moved in as soon as the contract settled. Jez:

- Stopped living in the house in 2013 because he had to move for work, so he rented it out for the next 5 years.
- Moved back into the house in 2018 and treated it as his main residence for 2 years.
- Moved out again in 2020 and rented the house out, this time for 3 years.
- Entered into a contract to sell the house in 2023.

While Jez lived in the house, he did not use it to produce income.

The 6-year limit applies separately to each period of absence immediately following a period Jez lived in the property. This means Jez can choose to treat the house as his main residence for both rental periods and disregard his capital gain or loss on the sale of the house.

Jez must include the CGT event in his tax return in the year of the contract sale date and claim the 'Main residence exemption' in his tax return.

What happens if the 6-year limit is exceeded

If you use your former home to produce income for more than 6 years in one absence, it is subject to CGT for the period after the 6-year limit.

To work out your CGT when you dispose of your home:

- you need to work out your cost base, which is the market value of your home at the time you first used it to produce income, plus any allowable costs since then (this is the home first used to produce income (/individuals-and-

families/investments-and-assets/capital-gains-tax/property-and-capital-gains-tax/your-main-residence-home/using-your-home-for-rental-or-business) rule)

- your capital gain or loss is based on the portion of time after first using your home to produce income; that is, over the 6-year limit.

Example: former home used to produce income for more than 6 years

Roya bought an apartment for $180,000. She immediately started living in the apartment as her main residence:

- On 29 September 1997, Roya moved interstate and rented out the apartment and at that time the market value of the apartment was $220,000.
- During her time interstate she didn't acquire another property.
- In July 2022, she returned to her home state and continued to rent out the apartment.
- She sold the apartment for $555,000 under a contract that settled on 29 September 2022.
- She incurred $15,000 in agent's and solicitor's fees when she sold.
- She had no other capital gains or losses.

As Roya rented out the apartment, she can treat it as her main residence during her absence for a maximum of 6 years. This is the period 29 September 1997 to 29 September 2003.

Roya must treat the apartment as though she acquired it:

- on the date she first used it produce income (29 September 1997)
- at the market value at that time ($220,000).

Roya works out her CGT as follows:

- Capital proceeds – cost base = capital gain
  $555,000 – ($220,000 + $15,000) = $320,000
- Non-main residence days (days over 6-year limit)
  30 September 2003 to 29 September 2022= 6,940 days
- Ownership period days (from deemed acquisition date)
  29 September 1997 to 29 September 2022= 9,132 days

- Assessable capital gain
  $320,000 × (6,940 days ÷ 9,132 days) = $243,188

She is eligible to use the 50% CGT discount to reduce her capital gain:

- $243,188 × 50% = $121,594

Roya is not entitled to a full main residence exemption. She must also report a net capital gain of $121,594 on her 2023 tax return for the period the main residence exemption wasn't applied.

Former home used for income before you move out

If you use any part of your home to produce income before you stop living in it, you can't apply the continuing main residence exemption to that part.

This means you can't get the main residence exemption for that part of your home either before or after you stop living in it.

Example: home used for income before ceasing to live in it

Helen signed a contract to buy a house in 2006 and moved in as soon as possible after settlement. Helen:

- used 75% of the house as her main residence and the remaining 25% as a doctor's surgery
- moved out and rented out the house in 2018
- signed a contract to sell the house in 2024, making a capital gain of $400,000.

Helen chooses to treat the house as her main residence for the 6 years it was rented out.

As 25% of the house was used to produce income during the period before Helen stopped living in it, the same proportion of the capital gain is assessable:

$400,000 × 25% = $100,000

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