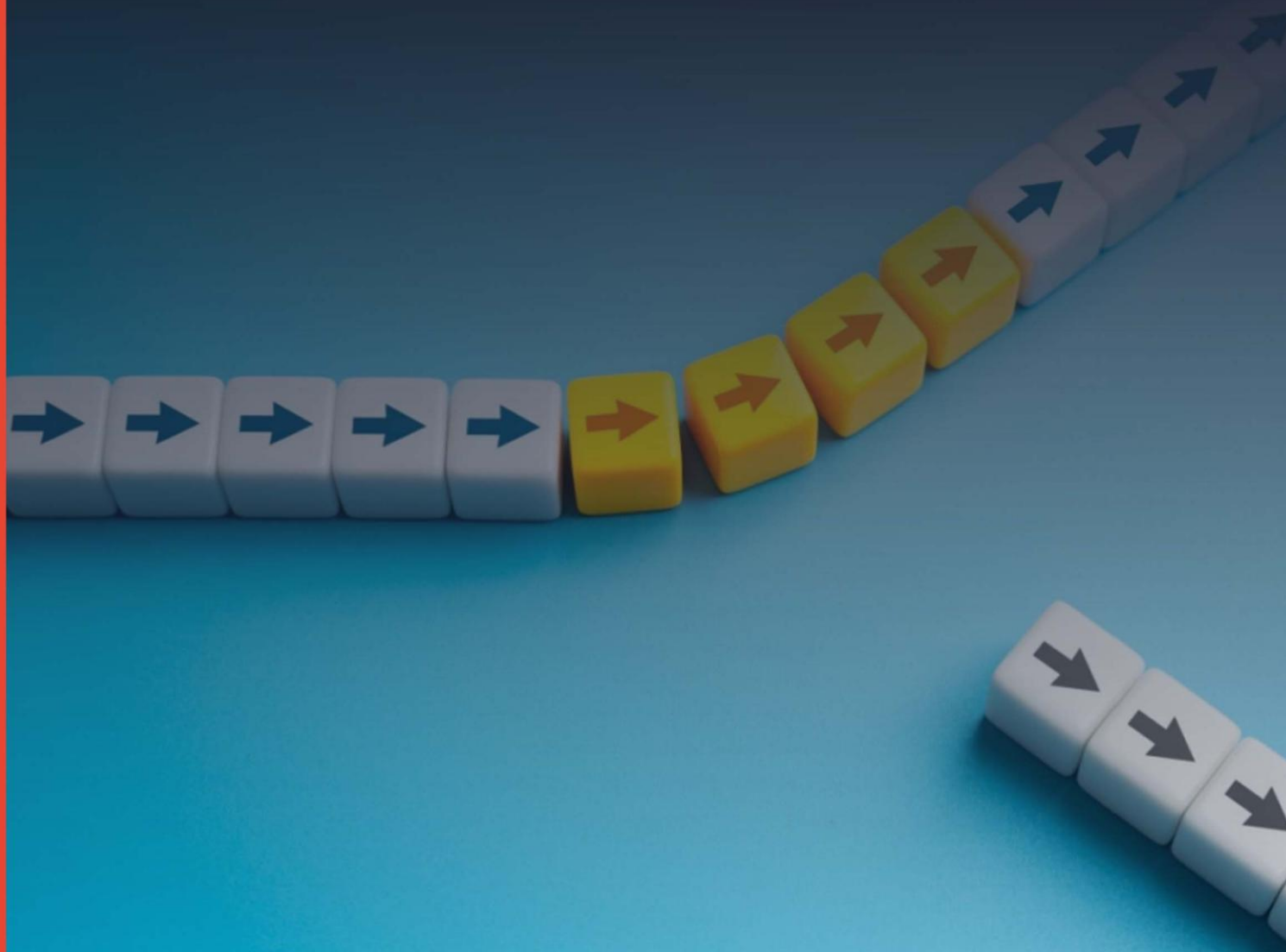
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Applying the CGT Discount

Knowledge Shop CPD

June 2026

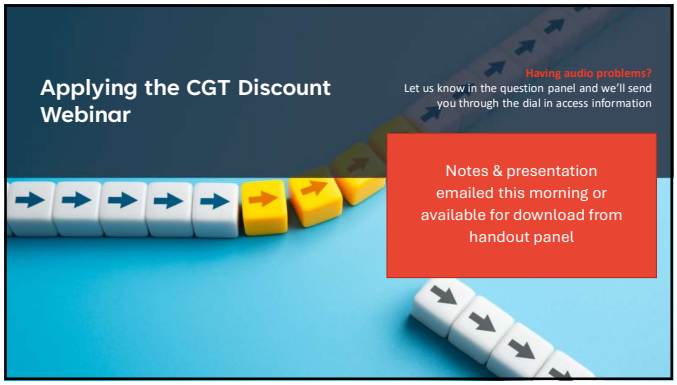


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Please direct any questions regarding the Applying the CGT Discount to:
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e cpd@knowledgeshop.com.au

June 2026


Applying the CGT Discount Webinar
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Let us know in the question panel and we'll send you through the dial in access information
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Understanding the Proposed Negative Gearing Changes
Outlining the new restrictions introduced under Schedule 2 of the Bill.
Thursday, 16th July 2026

Applying the CGT Discount Webinar



Deb Ghuliani
Senior tax trainer
TaxBanter

What we will cover

- The fundamentals
  - How the discount works
  - Shares or units
  - Non-residents and temporary residents
  - Discounted capital gains pass through a trust
  - Inherited assets
- Budget changes
  - Proposed law
  - Worked examples

The Fundamentals

Introduction

Treatment of capital gain by different taxpayers

Two general concessions available

- Frozen indexed cost base, for assets acquired before 11:45am on 21 September 1999
- Discounted capital gain

The general concessions is available to:

- Individuals
- Trustees of trust
- Superannuation Funds

General concessions are not available Companies

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What is a discount capital gain?

A capital gain made by an individual, a complying superannuation entity or a trust (and not a company)

Arising from a CGT event happening after 11.45 am (AEST) on 21 September 1999

Worked out by reference to unindexed cost base

From an event happening in relation to an asset acquired at least 12 months before CGT event

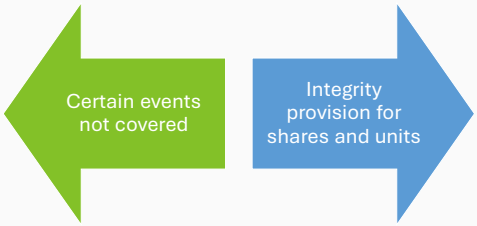
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Treatment of capital gain by different taxpayers

Individuals and Trustees	• 50% of difference between disposal consideration and unindexed cost base • if asset was acquired pre 21 September 1999, 100% of difference between disposal consideration and frozen indexed cost base
Superannuation funds	• two-thirds of difference between disposal consideration and unindexed cost base • if asset was acquired pre 21 September 1999, 100% of difference between disposal consideration and frozen indexed cost base

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What is not a discount capital gain?



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The Fundamentals

Foreign residents

CGT general discount for foreign residents

For CGT events that happen after 8 May 2012, a foreign resident is not eligible for CGT discount unless either

- Asset was acquired before 8 May 2012
  - taxpayers may elect to preserve a pro-rated discount for gain that accrued up to that date
- Taxpayer had a period of Australian residency after that date
  - they will have a pro-rated discount percentage that reflects their relative period of residency

Formula for calculating discount percentage in different scenarios is set out law

- ATO has a CGT discount worksheet to assist in calculation

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CGT general discount for foreign residents

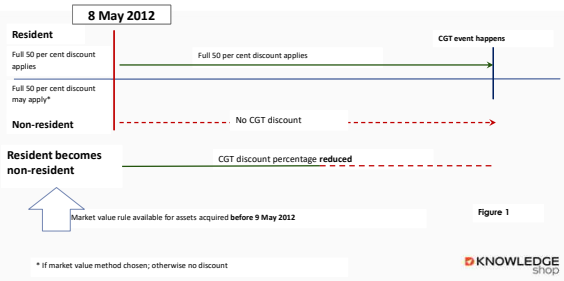


Figure 1

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The Fundamentals

Discount passing through a trust

Calculating gains passing through a trust

STEP	Calculating the beneficiary's extra capital gains under Subdiv 115-C
STEP ONE	**Determine the beneficiary's share of a capital gain** This is the dollar amount comprising: • any part of the capital gain to which they are specifically entitled • a proportionate share of any part of the capital gain remaining after all specific entitlements to it have been determined – this is the beneficiary's adjusted Div 6 percentage of the gain.
STEP TWO	**Determine the share as a percentage of the capital gain** $\frac{\text{Step one amount}}{\text{Total amount of the capital gain}} \times 100$

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Calculating gains passing through a trust

STEP	Calculating the beneficiary's extra capital gains under Subdiv 115-C	
STEP THREE	**Determine the beneficiary's attributable gain**	
	Net income of the trust that relates to the capital gain × Percentage worked out at step two	
STEP FOUR	**Gross up the attributable gain for any discounts applied by the trustee to the gain**	
	Discount applied	**Gross up required**
	None	None
	Either (but not both) the general CGT discount or the small business 50% reduction	Double the amount
	Both discounts were applied	Quadruple the amount
	The attributable gain (grossed up as appropriate) gives the beneficiary an extra capital gain.	

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The Fundamentals

Inherited assets

Special rule for discount purposes

CGT asset (in hands of deceased) was ...	Executor/beneficiary is deemed to acquire the asset ...
Post-CGT	When the deceased acquired the asset
Pre-CGT	When the deceased died

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Proposed changes

Overview

Capital gain tax reform

Cost base indexation

- From 1 July 2027
- Applies to all assets including pre-CGT assets
- New residential property – Choice of indexation (and minimum tax) or 50% discount

Minimum tax on capital gains

- Minimum rate of 30% will also apply to real capital gains
- Exclusions for recipients of means-tested income support payments

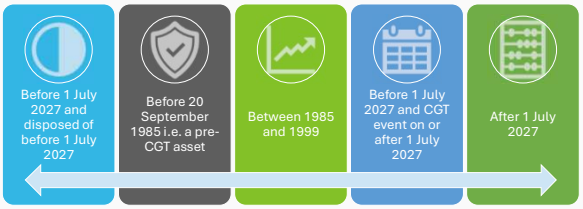
Transitional arrangements

- Assets owned prior to 1 July 2027 and sold after 1 July 2027 – 50% discount applies up to 30 June 2027, indexation and minimum tax from 1 July 2027 – using market value cost base as at 1 July

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How disposal of CGT assets will be impacted

CGT asset acquired by an Australian resident individual or trust …



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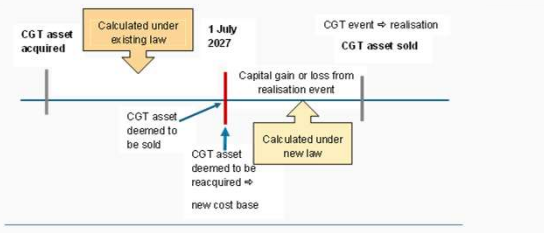
Proposed changes

The detail

Calculating the net capital gain

Classify capital gains		CLASSIFY capital gains: (a) deferred non- residential capital gains (b) deferred residential capital gains (c) non-residential capital gains (d) residential capital gains Total each category
Adjust total capital gain for each category	**STEP 1**	REDUCE each total (but not below nil), in order of categories above, by: ▪ any capital loss made during the income year
	STEP 2	▪ any previously unapplied net capital losses from earlier income years
	STEPS 3 & 4	▪ for residential gains, sum of any quarantined amount for income year: first – to deferred residential capital gains then – to residential capital gains
	STEP 5	▪ discount percentage
	STEP 6	▪ apply any small business concession
Find net capital gain	**STEP 7**	Sum of any totals remaining is your **net capital gain** for income year

Deemed sale just before, and reacquisition on 1 July 2027



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Discount capital gains

A CGT discount of 50% remains available for CGT events on or after 1 July 2027 relating to:

- new residential dwellings, and
- any other CGT assets determined by the Minister by legislative instrument

A CGT discount of up to 60% remains available for CGT events on or after 1 July 2027 in relation to investment in affordable housing

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Amendments for trusts with net capital gains

Modification to general rules where

Beneficiary is not entitled to indexation (i.e. company or foreign resident beneficiary)

Trustee has choice of CGT discount or indexation because CG from new residential dwellings or affordable housing

Calculation is being done to determine a trustee's taxation amount

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Proposed changes

Minimum tax on capital gains

Tax gap amount

Minimum 30% tax on capital gains realised on or after 1 July 2027

Applies to individuals

Recipients of certain payments prescribed in a legislative instrument (e.g. Age pension or JobSeeker) excluded

Applies to all CGT assets

- Other than new residential dwellings or affordable housing unless taxpayer chooses indexation and minimum tax over applying CGT discount

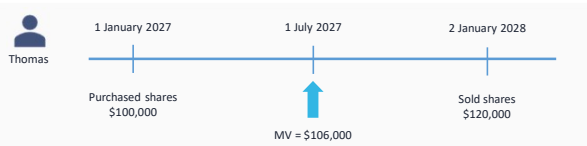
Minimum tax method statement

	Method statement
Step 1	Multiply your minimum tax capital gain for income year by 30%
Step 2	Work out your basic income tax liability for income year, disregarding this Division
Step 3	Work out what amount at step 2 would be if taxable income for income year were reduced (but not below nil) by amount of your minimum tax capital gain
Step 4	Subtract amount at step 3 from amount at step 2
Step 5	Subtract amount at step 4 from amount at step 1
Step 6	Round result down to nearest whole dollar
Step 7	If > nil, you have a minimum tax gap amount for income year equal to that amount

Proposed changes

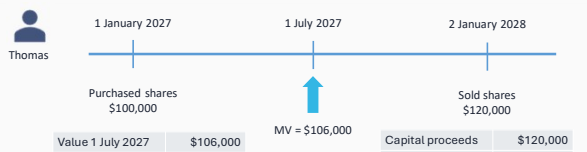
Worked examples

Example 1a



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Example 1a



Value 1 July 2027	$106,000
Cost base	$100,000
Capital gain	$6,000

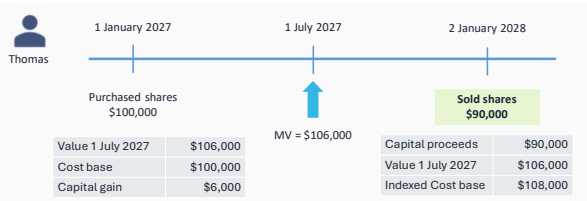
Capital proceeds	$120,000
Value 1 July 2027	$106,000
Indexed Cost base	$108,000

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Example 1a

Classify capital gains		CLASSIFY capital gains: (a) deferred non- residential capital gains (b) deferred residential capital gains (c) non-residential capital gains (d) residential capital gains Total each category	$6,000 $12,000
Adjust total capital gain for each category	**STEP 1**	REDUCE each total (but not below nil), in order of categories above, by: ▪ any capital loss made during the income year	n/a
	STEP 2	▪ any previously unapplied net capital losses from earlier income years	n/a
	STEPS 3 & 4	▪ for residential gains, sum of any quarantined amount for income year: first – to deferred residential capital gains then – to residential capital gains	n/a
	STEP 5	▪ discount percentage	($3,000)
	STEP 6	▪ apply any small business concession	n/a
Find net capital gain	**STEP 7**	Sum of any totals remaining is your **net capital gain** for income year	$15,000

Example 1b



Value 1 July 2027	$106,000
Cost base	$100,000
Capital gain	$6,000

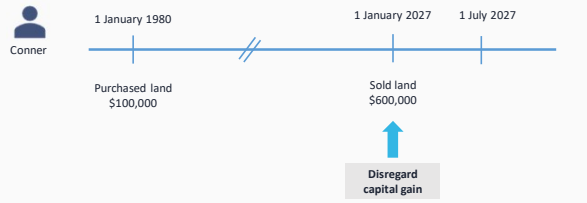
Capital proceeds	$90,000
Value 1 July 2027	$106,000
Indexed Cost base	$108,000

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Example 1b

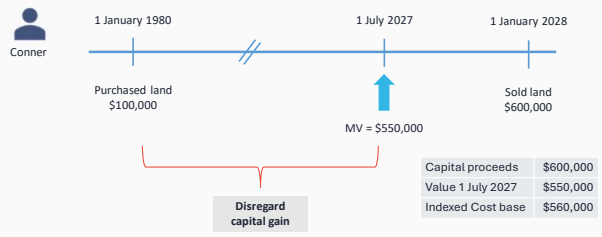
Classify capital gains		CLASSIFY capital gains: (a) deferred non- residential capital gains (b) deferred residential capital gains (c) non-residential capital gains (d) residential capital gains Total each category	$6,000
Adjust total capital gain for each category	**STEP 1**	REDUCE each total (but not below nil), in order of categories above, by: ▪ any capital loss made during the income year	($16,000)
	STEP 2	▪ any previously unapplied net capital losses from earlier income years	n/a
	STEPS 3 & 4	▪ for residential gains, sum of any quarantined amount for income year: first – to deferred residential capital gains then – to residential capital gains	n/a
	STEP 5	▪ discount percentage	n/a
	STEP 6	▪ apply any small business concession	n/a
Find net capital gain	**STEP 7**	Sum of any totals remaining is your **net capital loss** for income year	($10,000)

Example 2a



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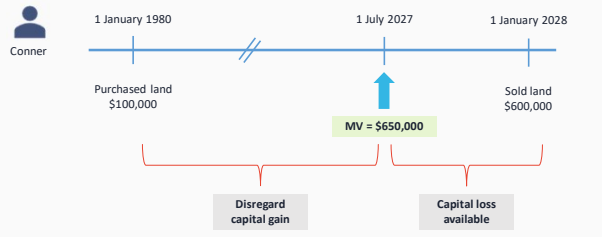
Example 2b



Capital proceeds	$600,000
Value 1 July 2027	$550,000
Indexed Cost base	$560,000

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Example 2c



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Example 3a



Lewis

Year ended 30 June 2028	
Salary	$25,000
Capital gain	$50,000
Total	$75,000

Assume CG is a minimum tax capital gain

Method statement		
Step 1	Multiply your minimum tax capital gain for income year by 30%	$15,000
Step 2	Work out basic income tax liability, disregarding this Division	$12,752
Step 3	Work out what amount at step 2 would be if taxable income for income year were reduced by minimum tax capital gain	$952
Step 4	Subtract amount at step 3 from amount at step 2	$11,800
Step 5	Subtract amount at step 4 from amount at step 1	$3,200
Step 6	Round result down to nearest whole dollar	$3,200
Step 7	If > nil, you have a minimum tax gap amount for income year equal to that amount*	$3,200

*Applied as imposition of an additional rate of income tax -->$3,200/$50,000 = 6.4%

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Example 3b

Lewis

Year ended 30 June 2028	
Salary	**$45,000**
Capital gain	$50,000
Total	**$95,000**

Assume CG is a minimum tax capital gain

Method statement		
Step 1	Multiply your minimum tax capital gain for income year by 30%	$15,000
Step 2	Work out basic income tax liability, disregarding this Division	$18,752
Step 3	Work out what amount at step 2 would be if taxable income for income year were reduced by minimum tax capital gain	$3,752
Step 4	Subtract amount at step 3 from amount at step 2	$15,000
Step 5	Subtract amount at step 4 from amount at step 1	$0
Step 6	Round result down to nearest whole dollar	$0
Step 7	If > nil, you have a minimum tax gap amount for income year equal to that amount	$0

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Example 3c

Lewis

Year ended 30 June 2028	
Salary	$45,000
Capital gain	$50,000
Total	$75,000

Assume CG is made up of:
- $30,000 deferred
- $20,000 non-deferred (both non-residential)

Method statement		
Step 1	Multiply your minimum tax capital gain for income year by 30%	$6,000
Step 2	Work out basic income tax liability, disregarding this Division	$18,752
Step 3	Work out what amount at step 2 would be if taxable income for income year were reduced by minimum tax capital gain	$12,752
Step 4	Subtract amount at step 3 from amount at step 2	$6,000
Step 5	Subtract amount at step 4 from amount at step 1	$0
Step 6	Round result down to nearest whole dollar	$0
Step 7	If > nil, you have a minimum tax gap amount for income year equal to that amount	$0

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Questions?

- Use the question box for any questions you have!