



## What is capital gains tax?

### What is capital gains tax and what rate of tax do you pay?

**Capital gains tax** (CGT) is the tax you pay on any capital gain you make and include on your annual income tax return. There is no separate tax on capital gains, it is merely a component of your income tax. You are taxed on your net capital gain at your marginal tax rate.

Your **net capital gain** is:

your total capital gains for the year

*minus*

your total capital losses (including any net capital losses from previous years)

*minus*

any **CGT discount** and CGT small business concessions to which you are entitled.

You make a capital gain or capital loss if a [CGT event](#) happens. You can also make a capital gain if a **managed fund** or other trust distributes a capital gain to you.

For most CGT events, your capital gain is the difference between your **capital proceeds** and the **cost base** of your [CGT asset](#) – for example, if you received more for an asset than you paid for it. You make a [capital loss](#) if your [reduced cost base](#) is greater than your capital proceeds.

If your total capital losses for the year are more than your total capital gains, the difference is your net capital loss for the year. It can be carried forward to later income years to be deducted from future capital gains. You cannot deduct capital losses or a net capital loss from your income. There is no time limit on how long you can carry forward a net capital loss. You apply your net capital losses in the order that you make them.

Generally, you can disregard any capital gain or capital loss you make on an asset you acquired before 20 September 1985 (pre-CGT). For details of some other exemptions, see [CGT Exemptions and rollovers](#).

There are special rules that apply when working out gains and losses from depreciating assets. To the extent that a depreciating asset is used for a taxable purpose (for example, in a business) any gain is treated as ordinary income and losses as deductions. A capital gain or capital loss may arise only to the extent that a depreciating asset has been used for a non-taxable purpose (for example, used privately). For details on the CGT treatment of depreciating assets, see [CGT and depreciating assets](#).

### Do you need to pay CGT?

To work out whether you have to pay tax on your capital gains, you need to know:

- whether a [CGT event](#) has happened
- the time of the CGT event
- how to calculate the capital gain or capital loss
- whether there is any exemption or rollover that allows you to reduce or disregard the capital gain or capital loss
- how to apply any capital losses
- whether the CGT discount applies, and
- whether you are entitled to any of the CGT concessions for small business.

### What to read/do next

- [What is a CGT event?](#)
- [What is a CGT asset?](#)
- [What are capital proceeds?](#)

- [What is the cost base?](#)
- [Acquiring CGT assets](#)
- [Exemptions and rollovers](#)
- [CGT and depreciating assets](#)
- [Calculating your capital gain or loss](#)

For help applying this information to your own situation, phone us on **13 28 61**.

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