

How to calculate your net capital gain example

Below is an example adapted from the EM of how to calculate a net capital gain.

Asher is an Australian resident who sells the following investments in the 2030/31 income year:

- > Rights, purchased in May 2002, sold for \$1.2 million;
- > Property A, purchased in January 2008 and used from that time to provide residential accommodation, sold for \$3.2 million.
- > Property B, purchased in April 2029 and used to provide residential accommodation, sold for \$1.4 million; and
- > ASX shares purchased in August 2030 and sold in November of that year for \$50,000.
- > Asher has a carried forward capital loss of \$200,000 and a quarantined loss (from residential property investments) of \$1.4 million.

Calculated capital gains are as follows:

	Deferred Non Residential	Deferred Residential	Non Residential	Residential
Rights	\$600,000		\$400,000	
Property A		\$1 million		\$500,000
Property B				\$280,000
Shares			\$12,000	
Total	\$600,000	\$1 million	\$412,000	\$780,000

- > Step 1: Not applicable as no current year capital losses.
- > Step 2: Apply prior year losses to gain categories in order. The deferred non-residential capital gains amount of \$600,000 is reduced by the carried forward capital loss (\$200,000) to \$400,000.
- > Step 3: The deferred residential capital gains amount of \$1 million is reduced by the quarantined amount (\$1.2 million) to nil.
- > Step 4: The residential capital gains amount of \$780,000 is reduced by the remaining quarantined amount (\$200,000) to \$580,000.
- > Step 5: The deferred non-residential capital gain is a discount capital gain. The discount percentage (50%) is applied to reduce the remaining \$400,000 of this capital gain to \$200,000.
- > Step 6: Not applicable (not a small business concession).
- > Step 7: Determination of the net capital gain.

Category	Amount
Residential capital gain	\$580,000 (being \$780,000 - \$200,000)
Non-residential capital gain	\$12,000
Deferred non-residential capital gain	\$200,000 (being 50% x (\$600,000-\$200,000))
Total	\$792,000

As always please reach out to your Engagement Partner to discuss how these changes will affect your individual circumstances.