# Capital gains tax (CGT)

## Fast facts

## Capital gains tax

Some assets you use in your small business may be subject to capital gains tax (CGT) when a CGT event happens in relation to them (such as selling the asset). These are called CGT assets. Examples are land, shares in a company and units in a unit trust. CGT events may also occur in other circumstances, such as when you create a right – for example, entering into a restraint of trade agreement when you sell your business.

When you sell a CGT asset, a CGT event occurs and you must work out whether the result is a capital gain or loss.

How you calculate CGT and apply exemptions, rollovers and small business concessions can be complex and varies depending on your circumstances. Seek advice from a registered tax adviser or contact the ATO to understand how these may apply.

## Is the asset subject to CGT?

When you sell or dispose of an asset, you need to identify:

- whether the asset is subject to CGT

- if a CGT event occurred and when it happened
- what capital proceeds you received
- what the asset's cost base is (for calculating whether you made a capital gain)
- what the asset's reduced cost base is (for calculating if you made a capital loss)
- whether there was a capital gain or a capital loss for the CGT event.

## CGT exemptions or rollovers

If you made a capital gain, you may be able to apply a CGT exemption or rollover so the capital gain can be disregarded or deferred.

- A CGT exemption may allow you to disregard all or part of your capital gain.
- A rollover may allow you to defer all or part of a capital gain or capital loss until a later time.

## Calculate the capital gain from a CGT event

To calculate the capital gain from a CGT event involving the disposal of an asset, you use either:

- the discount method
- the indexation method
- the 'other' method.

## Small business CGT concessions

You may be able to disregard, defer or reduce your capital gain by using one of 4 CGT concessions:

1. Small business 15-year exemption.
2. Small business 50% active asset reduction.
3. Small business retirement exemption.
4. Small business rollover.

You must meet general and specific eligibility requirements for each concession.

You must document whether you have chosen the small business 15-year exemption, the small business retirement exemption or the small business rollover.

## Calculate net capital gain or loss for the income year

After applying relevant exemptions to eligible CGT events, calculate your overall (net) capital gain or loss for the year. You may then apply discounts, rollovers, or other concessions to remaining gain.

If you have a net capital gain, it is included in your assessable income and you pay tax on the gain at your marginal income tax rate.

If you have a net capital loss, you can't deduct it from your other income but you can carry it forward to reduce capital gains you make in future years.

## Small business restructure roll-over

If you change your business structure, you may be able to use the small business restructure roll-over to transfer some of your active assets from your previous business entity to one or more other entities, without incurring an income tax liability.

## Running a home-based business and CGT

Running a home-based business may have CGT implications when you sell your home.

Before running your business from home, seek advice from a registered tax adviser or contact the ATO.

## Record keeping

You must keep records of everything that may be relevant to working out whether you've made a capital gain or loss from a CGT event.

You need records to prove when you acquired and disposed of any CGT asset involved, as well as the costs of acquiring and holding the asset. You also need to keep records relating to the CGT event, such as transaction costs. A convenient way to keep the required records is by using a CGT asset register.

Last modified: 22 May 2026