

HTW

**HERRON
TODD
WHITE**

CGT GUIDE

Understanding the CGT Changes



Recent and proposed changes to how Capital Gains Tax is calculated on property have put a new level of importance on one specific figure: the market value of a property at a relevant date. Rather than relying only on a simple apportionment formula, more CGT scenarios now turn on knowing precisely what a property was worth at one specific point in time — not its value today, and not a straight-line estimate between two dates.

The kinds of dates that can matter



Date of a change in use

The point at which a property moves from private to income-producing use (or the reverse) is governed by the home-first-used-to-produce-income rule, and interacts with the six-year absence rule for a former main residence.



Date of death

For inherited property, the deceased's date of death is frequently the anchor date for the beneficiary's cost base — particularly for a pre-1985 asset, or a property that was the deceased's main residence.



Date of a related-party transaction

Gifts and other non-arm's-length transfers are generally assessed using the market value at the date of the transaction, under the market value substitution rule — not the amount, if any, that actually changed hands.



A legislative start date

Where legislation itself changes, it typically nominates its own effective date, and property owners affected by the change may need a valuation as at that date to establish their position under the new rules.

Who may be affected

- Property owners with an investment property
- Owners whose home has changed between private and income-producing use
- Executors and beneficiaries of a deceased estate
- Parties to a related-party property transfer
- SMSF trustees transacting in property

Why the valuation date matters so much

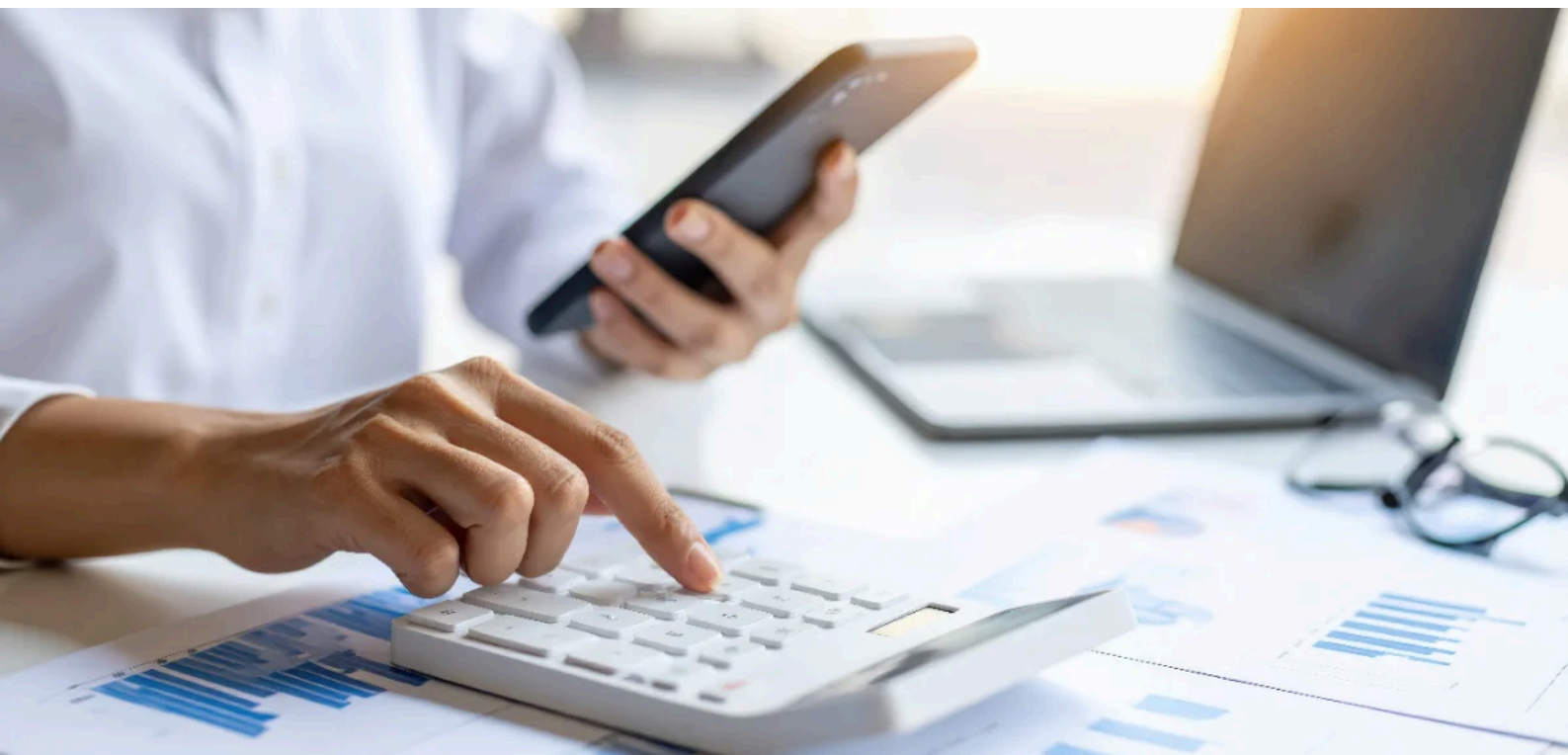
Property values don't move in a straight line — a property bought years ago may have moved through periods of faster and slower growth, plateaus, or even declines. A straight-line apportionment between two dates can produce a very different figure to the property's actual market value at the relevant date. That difference can directly affect the size of a capital gain or loss calculated at sale.

A general note on keeping records

Because so much of this turns on a specific date, the general position on CGT record-keeping is that records need to be kept for as long as you own the asset, plus five years after you dispose of it. Whatever change prompts the need for a valuation, keeping a copy of the report — along with supporting documents like purchase contracts, renovation records and any prior valuations — makes any later review far more straightforward.

What to do next

If you think a change in your property's use or ownership may fall within these changes, the first step is usually a conversation with your accountant or tax adviser, followed by obtaining an independent valuation as at the relevant date if one is required.



FAQs

Do the changes affect my own home?

Generally only if your home has changed between private and income-producing use, for example if you've rented out all or part of it. A straightforward, continuously owner-occupied home is less likely to be affected by date-specific CGT rules like these, though it's worth confirming your own circumstances with your adviser rather than assuming.

Does this apply to properties I already sold?

Possibly, depending on exactly when the relevant CGT event occurred and which rules applied at that time. If you've already disposed of a property and are unsure whether a specific valuation date should have applied to your calculation, it's worth raising it with your accountant, since amended assessments can sometimes still be lodged.

What exactly is "the relevant date"?

It varies by situation — a change of ownership, a change of use, a date of death, or a legislative start date can each set a different relevant date for a given property. There isn't one universal date that applies to every taxpayer, which is why confirming the correct date with your adviser is the essential first step.

Do I need to do anything right now?

Usually the first step is simply a conversation with your accountant or tax adviser to establish whether any of these changes apply to your situation. If they do, the next step is typically arranging an independent valuation as at the relevant date, rather than waiting until a sale or another CGT event forces the issue.

Will a valuation done today be accepted for a past date?

Only if it's specifically prepared as a retrospective valuation as at that date, using evidence from around that time — a standard current-date valuation won't stand in for it. A valuer needs to be briefed on the exact historical date required so the report reflects market conditions and comparable evidence from that period, not today's market.

How long do I need to keep records once I have a valuation?

As a general rule, capital gains tax records should be kept for as long as you own the asset, plus five years from the date you dispose of it, which can mean several decades for property. Retaining the valuation report itself, along with the purchase contracts and evidence it was based on, is the safest approach.

Note: This does not constitute tax advice. Property owners should obtain independent taxation advice specific to their circumstances, including confirmation of which valuation date applies to them.