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QC 102684

Eligibility for main residence exemption

Check if you qualify for the main residence exemption and if your home is considered a dwelling.

Last updated 22 June 2026

Eligibility conditions

Your main residence (your home) is exempt from Capital Gains Tax (CGT) if you're an Australian resident and the dwelling:

- has been the home of you, your partner and other dependants for the whole period you have owned it
- hasn't been used to produce income – that is, you haven't run a business from it, rented it out or 'flipped' it (bought it to renovate and sell at a profit)
- is on land of 2 hectares or less.

If you meet these conditions, you don't pay tax on any capital gain when you sell your home and you ignore any capital loss.

If you don't meet all these conditions, you may still be entitled to a partial exemption. You can work out the proportion that is exempt using the CGT property exemption tool.

CGT property exemption tool

For a summary fact sheet with common scenarios about CGT and eligibility for the main residence exemption, go to the ATO Publication Ordering Service to download Capital gains tax and the main residence exemption (NAT 75488, PDF, 301KB).

What is a main residence?

Generally, a dwelling is considered to be your main residence if:

- you and your family live in it
- your personal belongings are in it
- it is the address your mail is delivered to
- it is your address on the electoral roll

- services such as gas and power are connected.

The length of time you stay in the dwelling and if you intend to occupy it as your home may also be relevant.

To be your main residence, your property must have a dwelling on it and you must have lived in it.

Vacant land

You're not entitled to the exemption for a vacant block. If you subdivide and sell land that used to be part of your home, you need to consider if any profit is treated as a capital gain or income.

What is a dwelling?

A dwelling is anything used wholly or mainly for residential accommodation, for example:

- a house or cottage
- an apartment or flat
- a strata title unit
- a unit in a retirement village
- a caravan, houseboat or other mobile home.

The main residence exemption can extend to garages, storerooms or other structures associated with a flat or home unit, to the extent they are used primarily for private or domestic purposes in association with the flat or home unit. However, the exemption only applies if the adjacent structure, is sold together with the flat or home unit.

Foreign residents

If you weren't a resident of Australia for tax purposes while you were living in the property, you are unlikely to satisfy the requirements for the main residence exemption.

If you are a foreign resident when a CGT event happens to your residential property in Australia (for example, you sell it), you may not be entitled to claim the main residence exemption.

QC 69710

Moving to a new main residence

Find out when the exemption starts for your new home and ends for your old home.

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Moving in

Your main residence is generally exempt from capital gains tax (CGT).

For CGT purposes, your home qualifies for the main residence exemption from the time you acquire it, provided you move in as soon as practicable.

If you buy your home, the 'time you acquire it' is the settlement date of the contract.

If:

- **there is a delay moving in because of illness or other unforeseen circumstances** – your home is still exempt, provided you move in as soon as the cause of the delay is removed (for example, when you recover from the illness)
- **you can't move in because the property is being rented to someone** – the property doesn't become your main residence until you move in
- **you have not yet sold your old home** – you can treat both homes as your main residence for up to 6 months.

Example: moving in as soon as practicable

Li Jing signed a contract to buy a townhouse in March. She took possession when settlement occurred in April.

In late March, Li Jing's employer sent her overseas on an assignment for 4 months. She moved into the townhouse when she returned in late July.

Li Jing's overseas assignment was unforeseen at the time she bought the townhouse. She moved in as soon as practicable after settlement of the contract. Therefore, she can treat the townhouse as her main residence from the date she acquired it.

If Li Jing treats the townhouse as her main residence for this period, she can't treat any other property as her main residence (except for a limited time if she is moving house).

Moving to another main residence

If you acquire a new home before you dispose of your old one, you can treat both as your main residence for up to 6 months.

You can do this if all of the following are true:

- you lived in your old home as your main residence for a continuous period of at least 3 months in the 12 months before you disposed of it
- you didn't use your old home to produce income (such as rent) in any part of that 12 months when it wasn't your main residence
- the new property becomes your main residence.

Example: full exemption for both homes

Jill and Norman bought their new home under a contract that settled in January and they moved in immediately.

They sold their old home under a contract that settled in April.

Both the old and new homes are treated as their main residence for the period January to April, even though they didn't live in the old home during that period.

Exceeding the 6-month limit

If it takes longer than 6 months to dispose of your old home, the main residence exemption applies to both homes only for the last 6 months before you dispose of your old home.

For the period before this, when you owned both homes, you can choose which home to treat as your main residence. The other will be subject to CGT for that period.

Example: partial main residence exemption for one home

Jeneen and John bought their old home under a contract that settled on 1 January 2002 and moved in immediately. It was their main residence until they bought another home, under a contract that settled on 1 January 2025.

They kept their old home after moving into the new one. They didn't use the old home to produce income.

They sold the old home under a contract that settled on 1 October 2025. Jeneen and John owned this home for a total of 8,675 days.

Both homes are treated as their main residence for the period 1 April 2025 to 1 October 2025, the last 6 months that Jeneen and John owned their old home. One of the homes won't get the main residence exemption for 90 days from 1 January 2025 to 31 March 2025.

Jeneen and John have 2 options:

- They can claim the main residence exemption for their new home from the time they first move in. The capital gain on their old home is then partially assessable for CGT. The assessable proportion is multiplied by 90 ÷ 8,675, which is the number of days the old home wasn't their main residence divided by the total days they owned the old home.
- They can treat their old home as their main residence for the period 1 January 2025 to 31 March 2025, even though they have moved out. This means it is fully exempt. If they later sell their new home, it will be assessable for CGT for the 90-day period.

You can choose to continue treating your former home as your main residence after you move out. If you do this, you can't treat your new home as your main residence (except for up to 6 months while you are moving house).

QC 66029

Treating former home as main residence

How the CGT main residence exemption and 6-year rule apply when you move out, and how to include it in your tax return.

Last updated 22 June 2026

How it works

Your main residence (your home) is generally exempt from capital gains tax (CGT).

Usually, a property stops being your main residence when you stop living in it. However, for CGT purposes you can continue treating a property as your main residence:

- for up to 6 years if you used it to produce income, such as rent (sometimes called the '6-year rule')
- indefinitely if you didn't use it to produce income.

During the time that you treat the property as your main residence after you stop living in it:

- It continues to be exempt from CGT (the same as if you were still living in it, even if you start renting it out after you leave).
- You can't treat any other property as your main residence (except for up to 6 months if you are moving house).

Eligibility

If the property was continuously your main residence, the usual rules for the main residence exemption apply. The property must have:

- been your main residence first – you can't apply the main residence exemption to a period before a property first becomes your main

residence (for example, if you rented out your home before you lived in it)

- stopped being your actual main residence and not used for income – that is, you stopped living in it.

Partial main residence exemption

If you use the property to produce income, you may be entitled to a partial main residence exemption from CGT. Examples include when you:

- run a business
- rent the property out (and the main residence exemption doesn't apply to the period you rent out your home)
- 'flip' the property (buy it to renovate and sell at a profit).

For more detail, see Using your home for rental or business.

Former home not used for income

If you don't use your former home to produce income (for example, you leave it vacant or use it as your holiday house) you can treat it as your main residence for an unlimited period after you stop living in it. This only applies if you aren't treating another property at the same time as your main residence.

Example: former home not used to produce income

Bill bought a unit and lived in it for 3 years. He then moved out to live with a friend while his son occupied the unit rent free.

Bill didn't treat any other property as his main residence.

He sold the unit 12 years later and claimed the main residence exemption from CGT.

Former home used for income

If you use your former home to produce income (for example, you rent it out or make it available for rent), you can choose to treat it as your main residence for up to 6 years after you stop living in it. This is sometimes called the '6-year rule'.

You can choose when to stop the period covered by your choice. For example, if you rented it out for 5 years, you can choose to treat the property as your main residence for 3 years.

If you're absent more than once when owning the property, the 6-year period applies to each period of absence. A period of absence stops when you either stop renting your home and:

- move back in
- leave it vacant.

Selling a rental property that was your home

Media: Selling a rental property that was your home https://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfs6pgq (**Duration:** 3:17)

Example 1: ending the period before the 6-year limit

James:

- signed a contract to buy a house in Brisbane on 15 September 2013 and moved in as soon as the contract settled
- moved to Perth on 10 October 2015 and rented out his Brisbane house
- signed a contract to buy a new house in Perth on 3 October 2020 and moved in as soon as the contract settled
- signed a contract to sell the house in Brisbane on 1 March 2026.

When he completed his 2025–26 tax return, James decided to treat the Brisbane house as his main residence for the period after he moved out in October 2015 until he purchased his new

main residence in Perth in October 2020. This is a period of less than 6 years. This means James is entitled to claim a partial main residence exemption under the '6-year rule'.

As James decided not to treat the Brisbane house as his main residence after he bought the Perth house, he is subject to CGT for that period. This means James must include a capital gain or loss in the period not covered by the main residence exemption in his 2026 tax return (from October 2020 until March 2026).

Example 2: dwelling used to produce income for up to 6 years

Lisa:

- signed a contract to buy a house in 2003 and moved in as soon as the contract settled
- stopped living in the house in 2014
- signed a contract to sell the house in 2025.

While she lived in the house, she didn't use it to produce income.

During the 10-year period after she moved out, Lisa:

- rented the house out for 3 years
- left it vacant for 2 years
- rented it out again for 3 years
- left it vacant again for 2 years.

The total period Lisa used the house to produce income was 6 years, which meets the 6-year limit for treating it as her main residence. It doesn't matter if the 6 years is broken. While the house is vacant, the period is unlimited because the house isn't being used to produce income.

Lisa can choose to treat the house as her main residence for the entire 10-year period after she stopped living in it and disregard her capital gain or loss on the sale of the house.

Lisa must include the CGT event in her tax return in the year of the contract sale date, even if she chooses to treat the house as

her main residence for the period she stopped living in it. Lisa can claim the 'Main residence exemption' in her tax return.

Example 3: dwelling used to produce income during multiple absences

Jez signed a contract to purchase a house in 2005 and moved in as soon as the contract settled. Jez:

- stopped living in the house in 2014 because he had to move for work, so he rented it out for the next 5 years
- moved back into the house in 2019 and treated it as his main residence for 2 years
- moved out again in 2021 and rented the house out, this time for 4 years
- entered into a contract to sell the house in 2025.

While Jez lived in the house, he didn't use it to produce income.

The 6-year limit applies separately to each period of absence immediately following a period Jez lived in the property. This means Jez can choose to treat the house as his main residence for both rental periods and disregard his capital gain or loss on the sale of the house.

Jez must include the CGT event in his tax return in the year of the contract sale date and claim the 'Main residence exemption' in his tax return.

What happens if the 6-year limit is exceeded

If you use your former home to produce income for more than 6 years in one absence, it is subject to CGT for the period after the 6-year limit.

To work out your CGT when you dispose of your home:

- you need to work out your cost base, which is the market value of your home at the time you first used it to produce income, plus any allowable costs since then (this is the home first used to produce income rule)

- your capital gain or loss is based on the portion of time after first using your home to produce income; that is, over the 6-year limit.

Example: former home used to produce income for more than 6 years

Roya bought an apartment for $180,000. She immediately started living in the apartment as her main residence:

- On 29 September 1999, Roya moved interstate and rented out the apartment and at that time the market value of the apartment was $220,000.
- During her time interstate she didn't acquire another property.
- In July 2024, she returned to her home state and continued to rent out the apartment.
- She sold the apartment for $555,000 under a contract that settled on 29 September 2024.
- She incurred $15,000 in agent's and solicitor's fees when she sold.
- She had no other capital gains or losses.

As Roya rented out the apartment, she can treat it as her main residence during her absence for a maximum of 6 years. This is the period 29 September 1999 to 29 September 2005.

Roya must treat the apartment as though she acquired it:

- on the date she first used it produce income (29 September 1999)
- at the market value at that time ($220,000).

Roya works out her CGT as follows:

- Capital proceeds – cost base = capital gain
  $555,000 – ($220,000 + $15,000) = $320,000
- Non-main residence days (days over 6-year limit)
  30 September 2005 to 29 September 2024 = 6,940 days
- Ownership period days (from deemed acquisition date)
  29 September 1999 to 29 September 2024 = 9,133 days

- Assessable capital gain
  $320,000 × (6,940 days ÷ 9,133 days) = $243,162

She is eligible to use the 50% CGT discount to reduce her capital gain:

- $243,162 × 50% = $121,581

Roya isn't entitled to a full main residence exemption. She must also report a net capital gain of $121,581 on her 2025 tax return for the period the main residence exemption wasn't applied.

Former home used for income before you move out

If you use any part of your home to produce income before you stop living in it, you can't apply the continuing main residence exemption to that part.

This means you can't get the main residence exemption for that part of your home either before or after you stop living in it.

Example: home used for income before ceasing to live in it

Helen signed a contract to buy a house in 2008 and moved in as soon as possible after settlement. Helen:

- used 75% of the house as her main residence and the remaining 25% as a doctor's surgery
- moved out and rented out the house in 2020
- signed a contract to sell the house in 2026, making a capital gain of $400,000.

Helen chooses to treat the house as her main residence for the 6 years it was rented out.

As 25% of the house was used to produce income during the period before Helen stopped living in it, the same proportion of the capital gain is assessable:

$400,000 × 25% = $100,000

Foreign residents

If you are a foreign resident when a CGT event happens to your residential property in Australia (for example, you sell it), you generally aren't entitled to claim the main residence exemption. See Main residence exemption for foreign residents.

Completing your tax return

If you signed a sale contract during the income year, you can choose to use the 6-year rule to treat the property as your main residence. When you prepare your tax return, include the main residence exemption if you decide to make this choice.

When you sell a property that you rented out, it's important to include:

- if you elect to use the main residence exemption or not
- your capital gain or loss.

You must report the capital gain, loss or exemption in the same year as the date you signed the sale contract. Remember, this is based on the **contract date**, not the settlement date.

To see how to complete myTax when you've sold a rental property, watch our video How to complete myTax when you've sold a rental property.

For full instructions on how to complete your tax return, see:

- myTax 2026 CGT events and applying an exemption or rollover
- 18 Capital gains 2026 – Completing your supplementary tax return (paper).

When does a property stop being your main residence?

A property usually stops being your main residence when you stop living in it.

QC 66030

When does a property stop being your main residence?

A property usually stops being your main residence when you stop living in it.

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Usually when you move out of your home it stops being your main residence. However, you can choose to keep treating your former home as your main residence for capital gains tax purposes even if you no longer live in it.

There are a number of factors that indicate if a property is no longer your main residence:

- you and your family no longer live in it
- your personal belongings are not kept in it
- it is no longer the address your mail is delivered to
- it is no longer your address on the electoral roll
- services such as gas and power are no longer connected.

The weight given to each of these factors depends on individual circumstances. The length of time you are absent from the property, and any intention you have to re-occupy it, may also be relevant.

Example 1: property stops being main residence during work posting

Duc has lived in his house with his family for 5 years. It has been his main residence for the whole period he has owned it.

Duc accepts a 2-year posting overseas for work. During this period:

- Duc's family will travel and live with him overseas

- Duc cancels his utility connections and places all of his personal belongings in storage
- he has his mail redirected to his overseas address and updates his address on the electoral roll.

The house stops being Duc's main residence for the period of his absence.

Depending on his other circumstances, he may choose to continue to treat the house as his main residence while he is away.

Example 2: property stops being main residence during extended travel

Eric and Lorraine have owned their family home for 10 years.

They have both retired and for the past few years have travelled the country for 3 to 4 months of each year in their caravan.

When they travel, Eric and Lorraine:

- take some personal items with them and leave the rest in storage at their home
- divert their mail to their daughter, who looks after anything urgent
- notify their utility providers and government agencies of their travel plans and provide an email address for anything that needs their immediate attention
- turn off the mains gas and water to their house but don't disconnect their utilities accounts
- leave their mains electricity switched on as they have solar panels, which generate a feed-in credit for them while they are away.

Eric and Lorraine are away from their home for a significant part of the year. While they are away, they make the caravan their home.

The house stops being Eric and Lorraine's main residence for the period of their absence.

Depending on their other circumstances, they may choose to continue to treat the house as their main residence while they are absent.

Example 3: property doesn't stop being main residence during holiday

Rajini bought a unit in which she has lived for 2 years. It has been her main residence for the whole period she has owned it.

Rajini goes on holiday to Bali for 2 weeks each year over the summer.

Rajini leaves some of her more personal possessions, such as her jewellery and laptop, with her parents while she is away.

The unit doesn't stop being Rajini's main residence while she is on holiday.

QC 66031

Living separately to your spouse or children

How to use the main residence exemption if you live in a different home to your spouse or children.

Last updated 22 June 2026

Having a different home from your dependent child

If you and a dependent child under 18 years of age have different homes for a period, for capital gains tax (CGT) purposes you must choose one of the homes as the main residence for both of you for the period.

Having a different home from your spouse

If you and your spouse have different homes for a period, for CGT purposes you and your spouse must either:

- choose one of the homes as the main residence for both of you for the period
- each nominate one of the different homes as your main residence for the period.

If you nominate different homes for the period and you own 50% or less of the home you have nominated, you qualify for an exemption for your share. If you own more than 50%, your share is exempt for half the period you and your spouse have different homes. The same rule applies to your spouse.

This rule applies to each main residence the spouses nominate, whether they have sole ownership or own the home jointly (either as joint tenants or tenants in common).

Example 1: spouses with different main residences

On 1 July 1999 Kathy and her spouse Grahame entered into a contract to purchase a townhouse which they lived in together. Grahame owned 70% of the townhouse and Kathy owned the other 30%.

On 1 August 2002 they entered into a contract to purchase a beach house, which they owned in equal shares.

From 1 May 2003:

- Kathy lived in their beach house and nominated it as her main residence.
- Grahame kept living in the townhouse and nominated it as his main residence.

On 15 April 2026 Kathy and Grahame entered into a contract for the sale of both the townhouse and beach house.

Beach house

As the beach house was Kathy's main residence and she owned 50% of it, she disregards her share of any capital gain or loss for the period she and Grahame had different homes (1 May 2003 to 15 April 2026).

As Grahame didn't live in the beach house or nominate it as his main residence when he and Kathy had different homes, he includes his share (50%) of any capital gain or loss for any of the period he owned it.

Townhouse

The total capital gain on the sale of the townhouse was $100,000.

Grahame's share of the capital gain is $70,000 (reflecting his 70% ownership interest). Because Grahame owned more than 50% of the townhouse, it is taken to have been his main residence for half of the period when he and Kathy had different homes. He is entitled to the main residence exemption for the entire period that he and Kathy lived together in the townhouse.

The amount of the gain that Grahame disregards under the main residence exemption is:

- his share of capital gain
- multiplied by: days the spouses have one main residence (1 July 1999 to 30 April 2003)
- divided by: total days the property was owned (1 July 1999 to 15 April 2026)
- equals: amount of gain disregarded for the period that spouses have one main residence.

That is:

$70,000 × (1400 ÷ 9,786 days) = $10,014

plus

- his share of capital gain

- multiplied by: 50%
- multiplied by: days the spouses have separate main residences (1 May 2003 to 15 April 2026)
- divided by: total days the property was owned (1 July 1999 to 15 April 2026)
- equals: amount of gain disregarded for the period that spouses have separate main residences.

That is:

$70,000 × 50% × (8386 days ÷ 9,786 days) = $29,993

The total amount disregarded by Grahame is:

$10,014 + $29,993 = $40,007

Grahame's capital gain on the townhouse is therefore:

$70,000 − $40,007 = $29,993

Kathy's share of the $100,000 capital gain on the townhouse is $30,000, reflecting her 30% ownership interest. She is entitled to the main residence exemption for the period that she and Grahame lived together in the townhouse. The amount she disregards is:

- her share of capital gain
- multiplied by: days the spouses have one main residence (1 July 1999 to 30 April 2003)
- divided by: total days the property was owned (1 July 1999 to 15 April 2026)
- equals: amount of gain disregarded for the period that spouses have one main residence.

That is:

$30,000 × (1,400 days ÷ 9,786 days) = $4,292

Kathy's capital gain on the townhouse is therefore:

$30,000 − $4,292 = $25,708

CGT discount

Kathy and Grahame can use the CGT discount to reduce their respective capital gains (after applying any capital losses) because they owned the townhouse and beach house for at least 12 months and are Australian residents. For the townhouse, which was bought before 21 September 1999, they have the option of indexing the cost base instead of using the discount.

This rule also applies if you choose to treat a property as your main residence after you move out, and this choice results in you having a different main residence from your spouse or a dependent child for a period.

Example 2: different main residences and continuing main residence

On 5 February 2000 Anna and her spouse Mark bought a townhouse and moved in together. Anna owned more than 50% of the townhouse.

Before moving into the townhouse Anna had lived alone in her own flat. After moving into the townhouse she rented out her flat.

On 11 March 2001 Anna sold her flat. She chose to treat the flat as her main residence from 5 February 2000 until she sold it, under the 'continuing main residence status after moving out' rule.

On 29 April 2026 Anna and Mark sold their townhouse.

Because of Anna's choice, Mark had a different main residence from Anna for the period 5 February 2000 to 11 March 2001. Therefore, Mark must either:

- treat Anna's flat as his main residence for that period, or
- nominate the townhouse as his main residence for that period.

If he chooses to treat Anna's flat as his main residence, a part of any capital gain Mark makes when he sells the townhouse will be taxable. He will not get an exemption for the townhouse for the period that he nominated Anna's flat as his main residence (that is, 5 February 2000 to 11 March 2001).

If Mark nominates the townhouse as his main residence, he qualifies for a full exemption on any capital gain he makes when it is sold because he owns 50% or less of it. However, because Mark and Anna had different main residences as a result of Mark's choice, and Anna owned more than 50% of the flat, her gain on the flat will only qualify for a 50% exemption for the period from 5 February 2000 to 11 March 2001.

Anna's capital gain on the townhouse for the period 5 February 2000 to 11 March 2001 is taxable.

Definition of spouse

Your spouse is another person who is:

- legally married to you
- in a relationship with you, and the relationship is registered under a prescribed state or territory law
- not legally married to you but lives with you on a genuine domestic basis in a relationship as a couple.

QC 66032

Using your home for rental or business

Check if your CGT main residence exemption is affected if you earn assessable income from your home.

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How it works

Your main residence (your home) is exempt from capital gains tax (CGT) if you are an Australian resident.

You're not entitled to the full main residence exemption from CGT if you rent out part of your home or run a business from home. However, you may be entitled to a partial main residence exemption.

When you sell your home, the part you used to earn assessable income (as a rental or to run a business) is subject to CGT.

You can usually claim income tax deductions for the part of your home used to produce assessable income.

To work out your capital gain or loss, you consider:

- the floor area used as a rental or to run a business, including through the sharing economy
- the period you used it for this purpose
- if you first started using your home for rental or business after 20 August 1996.

If you're a foreign resident when a CGT event happens to your residential property in Australia (for example, you sell it), generally you aren't entitled to claim the main residence exemption. For more information, see Main residence exemption for foreign residents.

Check if CGT applies

To work out if CGT applies, you need to determine if you would be allowed a deduction for your home loan interest if you had borrowed money to acquire your home. This is the 'interest deductibility test'. The interest deductibility test must be applied even if you haven't borrowed money to acquire your home.

If you are or would be eligible to claim part of the interest expense, your home is subject to CGT to the same extent.

If you have a home loan, you can't:

- reduce the capital gain by not claiming a deduction for some or all of the interest
- increase the cost base of your home by the amount of interest you choose not to claim as a deduction.

You can still get a full main residence exemption if someone else uses part of your home to produce assessable income and you don't receive assessable income from that person for the use of the property.

To help work out if you need to consider CGT, check the scenarios in Capital gains tax and the main residence exemption.

Renting out part of your home

If you rent out part of your home for a period:

- You can claim a deduction for the home loan interest related to the portion of your home that is rented out.
- The capital gain (or loss) for that portion of your home during the rental period would be assessable – for example, the floor area used by tenants.

Running a business from home

You're running a business from home if it's your principal place of business and you have space set aside just for this purpose. Merely working from home occasionally or by choice doesn't qualify.

You're only eligible for the full main residence exemption if you're not entitled to claim a deduction for interest expenses.

You're entitled to claim a deduction for part of any home loan interest if:

- part of your home is set aside exclusively as a place of business and is clearly identifiable as such
- that part of the home isn't readily adaptable for private use – for example, a doctor's surgery located in a doctor's home.

You're **not** entitled to claim a deduction for interest expenses if you:

- use a home study to do work usually done at your place of work
- do paid child-minding at home (unless part of your home is set aside exclusively for that purpose).

If you're not entitled to a full main residence exemption because you use your home for business purposes, you may be able to apply the small business CGT concessions to reduce your capital gain.

Work out your capital gain or loss

You can use the CGT property exemption tool to calculate the portion of your home that is subject to CGT.

Alternatively, you can work out the assessable part of your capital gain or loss as follows:

Step 1: Work out the capital gain or loss on your home based on its value when you first used it to produce assessable income.

There are exceptions if you first used your home to produce assessable income before 21 August 1996 or inherited your home. For more information see Value of home when first used to produce income.

Step 2: Determine the portion of your home's floor area that you set aside to produce assessable income.

Step 3: Multiply steps 1 and 2. If you:

- used your home to produce assessable income right up to when you sold it, this is your assessable capital gain or loss – you don't need to continue
- stopped using your home to produce assessable income before you sold it – continue to step 4.

Step 4: Determine the number of days you used your home to produce assessable income.

Step 5: Determine the number of days from the date you first used your home to produce assessable income until you sold it.

Step 6: Your net capital gain is step 3 × (step 4 ÷ step 5).

Example: part of home rented throughout ownership period

Thomas bought a house on 1 July 2003 for $300,000. He sold it on 30 June 2026 for $700,000. The house was his main residence for the entire time.

Throughout the period Thomas owned the house a tenant rented one bedroom, which represented 20% of the house.

Both Thomas and the tenant used the living room, bathroom, laundry and kitchen, which represented 30% of the house.

Only Thomas used the remainder of the house. This means Thomas is entitled to a 35% deduction (20% + [30% × 50%]) for

home loan interest (if he incurred it).

Using steps 1 to 6 Thomas works out his net capital gain as follows.

1. Thomas used his home to produce assessable income from the time he acquired it. Therefore, he uses its initial value to work out his capital gain:
   $700,000 − $300,000 = $400,000.
2. The portion of the floor area set aside for rental is 35%.
3. Thomas' net capital gain is $400,000 × 35% = $140,000. As he used his home to earn assessable income right up to when he sold it, he doesn't need to apportion his net capital gain for any period it wasn't used to produce assessable income.

As Thomas owned his house for at least 12 months he can use the CGT discount (50% for individuals) to reduce his capital gain.

Thomas's net capital gain would be $70,000.

Example: part of home used for business for part of ownership period

Fatima bought a house in December 1997 for $200,000. It was her main residence.

- On 1 November 2018 she started to use 40% of the house for a consultancy business. At that time the market value of the house was $520,000.
- On 1 August 2022 she shifted her consultancy practice to separate business premises and used her home solely for private purposes.
- On 1 May 2026 she sold her house for $620,000.

Using the steps 1 to 6, Fatima works out her net capital gain as follows:

1. Her capital gain based on the value of her home when she first used it to produce assessable income is
   $620,000 − $520,000 = $100,000.

2. The portion of her home's floor area set aside for business was 40%.
3. $100,000 × 40% = $40,000. As Fatima stopped using her home for business before she sold it, she continues to step 4.
4. Fatima used her home to produce assessable income from 1 November 2018 to 1 August 2022, a total of 1,370 days.
5. The period from when she first used her home to produce assessable income until she sold it is 2,739 days (1 November 2018 to 1 May 2026).
6. Fatima's net capital gain is $40,000 × (1,370 ÷ 2,739) = $20,007.

For CGT purposes, Fatima is treated as if she acquired the house on 1 November 2018. This is more than 12 months before she sold it, so she can use the CGT discount (50% for individuals) to reduce her capital gain.

Fatima's net capital gain would be $10,003.

Value of home when first used to produce income

If you use your home to produce assessable income you are generally taken to have acquired it at the time you first used it for this purpose.

This means when you sell your home, you need to use the 'home first used to produce income rule'. You do this by working out the capital gain or loss using its market value at the time you first used it to produce assessable income.

If you sell your home within 12 months of when you first use it to produce assessable income, you can't use the CGT discount.

Market valuation

You must get a market valuation of your home when you first start using it for rental or business, if this was after 20 August 1996.

You need to know this value to calculate your capital gain or loss when you sell it.

Exclusions to the 'home first used to produce income rule'

The 'home first used to produce income rule' doesn't apply if you:

- use your home to produce assessable income from the time you acquire it, the rule doesn't affect you – for an example, see Rental property becomes your main residence
- inherit a dwelling that was a deceased's main residence – the rule doesn't apply when you sell the dwelling within 2 years
- choose to continue treating a property as your main residence after you move out – when the property is fully exempt, the rule doesn't apply
- don't meet the criteria for a partial main residence exemption, – for example, you either
  - were a foreign resident when you sold the property
  - claimed the exemption for another property for the period you lived there.

Example: 'home first used to produce income rule' doesn't apply

Peter bought a house on 1 October 2013 for $550,000. He rented it out until 30 June 2016.

Peter moved into the house on 1 July 2016 and lived in it for the entire period until it was sold on 30 March 2026 for $780,000.

The 'home first used to produce income rule' doesn't apply as the house was rented from the time Peter bought it. This means that Peter isn't required to use the market value of the house at the time it was first used to produce assessable income.

Peter works out the capital gain based on the cost base of $550,000. Peter is entitled to the main residence exemption from 1 July 2016 to 30 March 2026 (3,560 days).

The assessable part of Peter's capital gain will be calculated as follows:

1. Capital gain for the entire period is
   $780,000 − $550,000 = $230,000

2. Peter's home was rented out for 1,004 days (1 October 2013 to 30 June 2016)
3. Peter's total period of ownership was 4,564 days.
4. Capital gain for the period that was rented out is $230,000 × (1,004 ÷ 4,564) = $50,595.

Peter is entitled to the CGT discount of 50% which will reduce his capital gain.

Peter's net capital gain would be $25,297.

When the rule applies

Apart from these exclusions, the rule applies if all the following are true:

- you acquired the property on or after 20 September 1985
- you first used the property to produce assessable income after 20 August 1996
- when you sell the property (or another CGT event happens to it), you would be entitled to a partial CGT exemption because you used it to produce assessable income during the time you owned it
- you would have been entitled to a full exemption if the sale or other CGT event happened to the property immediately before you first used it to produce assessable income.

Example: home becomes a rental property

Erin bought a house 25 July 2014 for $450,000. The house was her main residence until she moved into a new house on 1 August 2025.

On 2 August 2025 she began renting out the old house. At that time, the market value of the old house was $650,000.

Erin didn't want to treat the old house as her main residence under the 'continuing main residence status after moving out' option. She wanted the new house to be treated as her main residence from the date she moved into it.

On 10 June 2026 Erin sold the old house for $696,000. As Erin is deemed to have acquired the old house for $650,000 on 2 August 2025, she calculates her capital gain to be $46,000. She can't use the CGT discount to reduce her capital gain as she is taken to have owned it for less than 12 months.

Media: Selling a rental property that was your home https://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfs6pgq (**Duration:** 3:17)

Rental property becomes your main residence

If your rental property becomes your main residence, your eligibility for a main residence exemption is limited to the period you lived in the property. For the period the property was rented out, you will be liable for CGT when you sell the property.

Use the following formula to work out your CGT when you sell your property:

> Capital gain or loss × (number of days the property was used to produce assessable income ÷ total number of days you owned the property)

The total number of days you owned the property is calculated using the contract purchase and sale dates, not settlement dates.

You can also use the Capital gains tax property exemption tool to work out what percentage of your capital gain is exempt from CGT.

Example: rental property becomes your home

Farnaz entered into a contract to purchase a property on 21 October 2019 for $449,000. She immediately rented out the property.

The property was rented for 2 years, until Farnaz moved into the property on 16 November 2021. Farnaz lived in the property as her main residence until she signed a contract to sell her home on 1 April 2026 for $987,500.

Farnaz works out her net capital gain as follows:

1. Capital gain is $538,500 (worked out as $987,500 − $449,000)
2. Number of days owned is 2,355 (21 October 2019 to 1 April 2026)
3. Number of days the property was used to produce assessable income is 757 (21 October 2019 to 15 November 2021)
4. Assessable capital gain is $538,500 × (757 ÷ 2,355) = $173,097
5. Net capital gain after applying the 50% CGT discount for owning the property for over 12 months is $86,548 (worked out as $173,097 × 50%)

Farnaz includes a net capital gain of $86,548 in her 2026 tax return.

QC 66033

Building or renovating your home

How to get the main residence exemption for your land while you build your future home.

Last updated 22 June 2026

Eligibility for exemption before you move in

If you build a dwelling on land you already own, the land normally isn't exempt from capital gains tax (CGT) until the dwelling becomes your main residence.

However, you can treat the land as your main residence for up to 4 years before you move in if you:

- have an ownership interest (other than a life interest) in the land

- build, repair or renovate a dwelling on the land, or finish a partly constructed dwelling
- move into the dwelling as soon as practicable after it is finished and continue to use it as your main residence for at least 3 months.

The same option is available if you build a new dwelling to replace a dwelling that was demolished or destroyed. You can treat the vacant land as your main residence for up to 4 years while building your new home.

How to apply the exemption

If you choose to treat land as your main residence until your home is finished:

- the land is exempt from the time you acquire it or for up to 4 years before you move in, whichever is shorter
- if you or anyone else occupies a dwelling that is already on the land, the exemption period doesn't start until that dwelling is vacated
- you can't treat any other dwelling as your main residence for the same period (except for a limited time if you are moving from one main residence to another)
- you can't choose to have a shorter period of exemption for the new dwelling to exempt your old home for part of the construction period.

Example: treating land as main residence

Ahmed built a new dwelling on a vacant block of land he bought and moved from his old home into the new one. His key dates are:

- 3 November 1997 – bought old home
- 3 September 2010 – bought land for new dwelling
- 2 September 2025 – finished building new dwelling
- 1 October 2025 – sold old home

- 7 October 2025 – moved into new dwelling (this was as soon as practicable after completion).

Ahmed can treat the new dwelling as his main residence from 7 October 2021. This is the 4 years immediately before the new dwelling actually becomes his main residence.

If he chooses to do this, Ahmed's old home is exempt:

- from 3 November 1997 (when he acquired it) until 6 October 2021 (just before he began treating the dwelling under construction as his main residence)
- for the 6 months before he disposed of it – that is, from 1 April 2025 to 1 October 2025 – because during this period he can treat both dwellings as his main residence under the rules for moving from one main residence to another.

If the owner dies during construction

The exemption can still apply if the owner of the dwelling under construction were to die at any time between:

- entering into contracts for the construction work
- the end of the first 3 months of residence in the new home.

The surviving joint owner (or if none, the trustee of the deceased estate) can choose to treat the land and dwelling as the deceased's main residence. The conditions are the same, except that the exemption period ends when the deceased died.

QC 66034

Destruction of your home

Check if your insurance payment or land is exempt from CGT.

Last updated 22 June 2026

If your home is destroyed accidentally (for example through a natural disaster), you can apply the main residence exemption to any money you receive as a result.

This means if your home was fully exempt before it was destroyed, then:

- if you sell your vacant land, it is exempt from capital gains tax (CGT)
- any insurance payment or other compensation is exempt from CGT.

If your home was only partially exempt before it was destroyed, CGT will apply to the part that wasn't exempt. For example, CGT will apply if:

- you used part of your home for rental or business
- your home was on more than 2 hectares of land.

If you move to a new home before you sell the vacant land of your former home, you can treat both as your main residence for up to 6 months.

If you build a new home on your land, you can treat the land as your main residence for up to 4 years before you move in. During this period you can't claim the main residence exemption for any other dwelling.

We can help you deal with a disaster – for example, by helping you reconstruct your tax records or allowing early access to refunds.

QC 66035

Compulsory acquisition of your home

Find out if the payment you receive for compulsory acquisition of your home is exempt from CGT.

Last updated 22 June 2026

How CGT applies when your home is compulsorily acquired

If all or part of your home is compulsorily acquired, you can apply the main residence exemption to any money or other compensation you receive.

If your home is compulsorily acquired and you are entitled to the full main residence exemption, you ignore any capital gain or loss.

You are also covered by the main residence exemption if only part of your property is compulsorily acquired, for example:

- land adjacent to your home
- a structure associated with your home, such as a garage.

You can apply the main residence exemption to a maximum of 2 hectares of your property during your ownership.

To be exempt the land must be used for private purposes.

If the land you use for private purposes is larger than 2 hectares, you can nominate which part the exemption will apply to. However, the 2-hectare total must always include the land underneath your dwelling.

This limit may be reached in stages through multiple capital gains tax (CGT) events.

You also ignore a capital gain or loss from the compulsory acquisition of land adjacent to an inherited dwelling.

Example: compulsory acquisition and main residence exemption

Rene and Vidia live in a house on a 10-hectare block. It is their main residence. The land underneath the house is 0.03 hectares of the block.

The Department of Roads compulsorily acquired a 1.2 hectare strip of their land.

Rene and Vidia chose to treat the 1.2 hectare strip as part of their main residence. The money they received from the acquisition

was therefore exempt from CGT.

A few years later, Rene and Vidia had a second compulsory acquisition. The Water Company purchased one hectare of their remaining land.

This time the couple couldn't claim a full exemption from CGT.

Their home still qualified as their main residence, but the main residence exemption is limited to 2 hectares during their ownership.

As they had previously used the exemption for 1.2 hectares, and their house occupies 0.03 hectares, the maximum they can claim for the second acquisition is:

2 hectares − 1.2 hectares − 0.03 hectares = 0.77 hectares

Since 0.77 hectares is 77% of the one hectare that was compulsorily acquired, Rene and Vidia could only treat this percentage of the gain or loss as exempt from CGT.

What is compulsory acquisition?

Compulsory acquisition is when a government agency takes possession of all or part of your property.

It may also be done by an entity acting on behalf of government.

Records you need to keep

You must keep records when you claim the main residence exemption from CGT.

We sometimes request evidence (for a review or audit) to support your income tax self-assessment.

The records you may be asked to provide include, but are not limited to:

- proof of the compulsory acquisition arrangement
- evidence of how your property qualifies as a main residence
- calculations of your capital gain or loss

- site plans or other documents showing that the total compulsorily acquired land during your ownership is 2 hectares or less.

QC 66036

Home on more than 2 hectares

Choose which part of your property is exempt from CGT if it's larger than 2 hectares.

Last updated 22 June 2026

Which part of your land is exempt

When selling your home you can claim the main residence exemption from capital gains tax (CGT) for up to 2 hectares of the land your home is on.

If your land is used for private purposes and is greater than 2 hectares, you can choose which 2 hectares are exempt. The rest is subject to CGT.

If any part of the land is used to produce income it isn't exempt. This is the case even if the total land area is less than 2 hectares.

The 2 hectares you choose must include the land that is under your dwelling.

Example: land used for private purposes

Mohammed bought a house with 15 hectares of land. He used 10 hectares for apple farming and 5 hectares for private purposes. Mohammed can get the main residence exemption for:

- the house
- 2 hectares of land he selects out of the 5 hectares that he uses for private purposes (the land he selects must include the land under the house).

After 9 years, Mohammed decided to sell. He had his house valued. The valuation stated that the house and the 2 hectares of land he had selected were worth two-thirds of the total value of the property.

Mohammed can claim the main residence exemption for two-thirds of the capital gain on the sale of the property.

Selling land separately from dwelling

If you sell land separately from your dwelling it is subject to CGT unless either:

- your dwelling has been accidentally destroyed and you sell the vacant land
- vacant land adjacent to your dwelling is compulsorily acquired.

If the dwelling isn't sold with the land – for example, because the dwelling is a caravan and has been removed or sold separately – the sale of the land is subject to CGT.

QC 66037

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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