



The need to know on capital losses

Know what can and can't be claimed to help your clients get it right.

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With our focus on capital losses, now more than ever is critical that your clients get their claims right. Here is a refresher on some of the key points.

Previous and current year capital losses can be used to offset current year capital gains. However, since there is an order to offsetting losses, older capital losses must be used first.

Where a carried-forward loss is more than or equal to the current year's capital gains, your client won't have a current year gain. Any capital losses remaining after offsetting the current year's gains can be carried forward indefinitely.

Your client can also choose which capital gains to subtract the losses from, with the exception of collectables. Losses from collectables can only offset gains from collectables.

Your client can't deduct losses from:

- **personal use assets**, such as boats or furniture
- **CGT exempt assets**, such as cars and motorcycles
- **collectables acquired for \$500 or less**
- a lease – unless its main purpose is producing income, such as for a commercial rental property or a car with the sole purpose of business use
- paying **personal services income** to themselves through an entity they've set up.

There are additional rules depending on the types of entity wanting to claim the capital loss:

- trusts can't distribute their losses to their beneficiaries, but they can still carry losses forward to offset future capital gains
- companies wanting to carry forward a loss must either be substantially under the same ownership and control, or still in the same line of business
- income tax exempt entities can't use capital losses to offset gains.

See our website for information about **Using capital losses to reduce capital gains**.

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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.

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