



Australian Government
Australian Taxation Office

Capital gains tax on inherited property



What you need to know about capital gains tax (CGT) when you inherit a capital asset like property.

i Recent changes to capital gains tax (CGT) announced in the 2026–27 Federal Budget don't apply to Tax Time 2026.

When CGT applies

Inherited property is a capital asset and for CGT purposes you acquire it on the day a person dies.

CGT doesn't usually apply at the time you inherit the dwelling, however it will apply when you later sell or dispose of the dwelling, unless an exemption applies.

The following circumstances determine if CGT or a CGT exemption applies to the sale or disposal of inherited property. Whether:

- the deceased person acquired the property before 20 September 1985, and if a major improvement has been made to the property on or after 20 September 1985
- it was the deceased person's main residence immediately before they died, and if the property was being used to produce income at the time
- the deceased person was an excluded foreign resident at the time of death
- you were an Australian resident when you inherited the property
- it was the main residence (that wasn't used to produce income) of
 - you
 - anyone with the right to occupy it under the will
 - the spouse of the deceased person immediately before their death
- you dispose of the inherited property within 2 years (or the within an extension period) of the deceased person's death.

Note: The 2-year limit is extended if disposal of the property is delayed by exceptional circumstances outside your control. Safe harbour in these circumstances provides for the 2-year limit to be extended for another 18 months.

For more information, see [Extensions to the 2-year ownership period](#).

To find out if the disposal of inherited property is fully or partially exempt from CGT, see ato.gov.au/deceasedestatesCGT

Acquisition cost base of inherited property

The acquisition cost of the property is the market value of the property at the date of death, if **any** of the following apply:

- The property was acquired by the deceased before 20 September 1985.
- The property was passed to you after 20 August 1996 (but not as a joint tenant), and
 - it was the deceased person's main residence just before they died
 - it wasn't used to produce income.
- The dwelling was passed to you as the trustee of a special disability trust.

In all other circumstances, your acquisition cost is the deceased's cost base on the day they died. This means the cost base is the sum of:

- the deceased's original purchase price
- any other costs incurred then and afterwards by the deceased, for example, any capital improvements or legal fees from the transfer to the beneficiary.

You may need to contact the trustee or the deceased's tax advisor to get these details.

Joint tenants and tenants in common

If 2 or more people acquire a property together, it can be either:

- tenants in common
- joint tenants.

Tenants in common

If a tenant in common dies, their interest in the property becomes the asset of their deceased estate. This means it can be:

- transferred to a beneficiary of the estate (only)
- sold (or otherwise dealt with) by the legal personal representative of the estate.

Joint tenants

For CGT purposes, if you are a joint tenant you:

- are treated as if you are a tenant in common
- own equal shares in the asset.

However, if you're a joint tenant and another joint tenant dies, on that date their interest in the asset is:

- taken to pass in equal shares to you and any other surviving joint tenants
- treated as if their interest is an asset of their deceased estate and you are beneficiaries.

This means, if the dwelling was the deceased's main residence, you may be entitled to the main residence exemption for the interest you acquired from them.

Example: surviving joint tenant

In 2005, Ming and Lee buy a residential property for \$300,000 as joint tenants. Each one has a 50% interest in it. They live in it as their main residence.

On 1 May 2025, Lee dies. Ming acquires Lee's interest for an amount equal to Lee's cost base on that day (1 May 2025).

Ming continues to use the property as his main residence after Lee's death. He is entitled to the main residence exemption for the interest he acquired from Lee, as well as for his original interest.

Inherited dwelling from, or as, a foreign resident

The law for foreign residents changed on 12 December 2019. This may affect your entitlement to claim the main residence exemption on an Australian residential property you inherit from a foreign resident.

The changes may also apply to you if you:

- inherit an Australian residential property
- have been a foreign resident for more than 6 years when you [sell or dispose of the property](#).

Inheriting a dwelling from someone who inherited it themselves

If you [inherit a deceased person's property](#), and the deceased person acquired the interest in the property on or after 20 September 1985 as a beneficiary (or trustee) of a deceased estate, you may be entitled to a partial main residence exemption. This is calculated on the number of days the property was yours and the previous beneficiary's main residence.

Example: fully exempt – deceased acquired the dwelling on or after 20 September 1985 and beneficiary sold it within 2 years of death

Rodrigo was the sole occupant of a flat he bought in April 1990. He had only ever lived in it and didn't use it to produce income.

Rodrigo died in January 2023. He leaves the flat to his son, Petro. Petro initially rents out the flat and then sells it 15 months after his father died.

Petro is entitled to a full exemption from CGT. This is because Rodrigo lived in it when he died and Petro disposed of it within 2 years of his father's death.

Example: partial exemption – main residence of deceased but then rented out for more than 2 years after death by beneficiary

Lucy buys a home on 1 April 2005 for \$250,000. It's her main residence from the time she acquired it until her death on 31 March 2017 (a total of 4,383 days). The property passes on to her beneficiary, Amy.

Amy lets the home as a rental property throughout her ownership period. After 8 years she decides to sell. Amy sells the rental property for \$975,000 on 30 June 2025 (3,013 days after Lucy's death).

The acquisition cost of the property for Amy is its market value at Lucy's date of death, which was \$425,000. This is because it was:

- passed to Amy after 20 August 1996
- Lucy's main residence immediately before her death
- not producing income at Lucy's date of death.

Amy needs to declare the capital gain as follows:

- calculate CGT
 - sale price \$975,000
 - acquisition cost (total cost base) \$425,000
- subtract the cost base from the sale price
 - total capital gain \$550,000.

Amy's taxable portion of the capital gain is calculated as:

Capital gain amount $\times$ (Non-main residence days $\div$ total days)

The non-main residence days is the number of days Lucy and Amy used the dwelling to produce income, which is 3,013 (zero for Lucy and 3,013 for Amy). Total days is the number of days Lucy and Amy owned it, which is 7,396.

Amy's capital gain is:

$\$550,000 \times (3,013 \div 7,396) = \$224,060$

Amy can use the CGT discount method to reduce her capital gain by 50%. This reduces her capital gain to \$112,030.

Example: partial exemption – inherited rental property – main residence of beneficiary

Vicki bought a house for \$200,000 on 12 February 2000 and uses it as a rental property. She dies on 17 November 2003, having owned the home for a total of 1,375 days. The house passes on to her beneficiary, Lesley, who uses it as his main residence.

As the property was purchased by Vicki after 20 September 1985 and used solely for income producing purposes, Lesley's acquisition cost is Vicki's cost base on the day she died. The cost base (\$208,000) includes \$200,000 plus \$8,000 for legal fees and solicitor fees on purchase.

Lesley sells the property for \$650,000 on 27 November 2024. He owned it for a total of 7,681 days. As the house wasn't Vicki's main residence just before she died, Lesley can't claim an exemption from CGT for the period Vicki used the house to produce income.

However, Lesley is entitled to a partial exemption from CGT for the period he used the house as his main residence. This is throughout his ownership period of 7,681 days only.

Example: partial exemption – main residence deceased – rental property and main residence beneficiary

Mary acquired a dwelling on 1 June 2004 for \$650,000. It is her main residence until she dies on 31 August 2009 (a total of 1,918 days). Her son, Steve, inherits the dwelling and rents it out.

After renting the dwelling until 31 August 2012 (a total of 1,096 days), Steve begins living in it as his main residence. On 31 August 2024 he sells it for \$900,000 (owning it for a total of 5,479 days).

Mary acquired the main residence after 20 September 1985 and didn't use it to produce income. On her death (after 20 August 1996), the house was passed to Steve as a beneficiary. This means, Steve acquired the dwelling at its market value of \$720,000 at the time he first used it to produce income.

The house was Mary's main residence just before she died and Steve used the property as his main residence as well as a rental property. Steve can't claim an exemption from CGT for the period he used the house to produce income. However, he can claim a partial exemption from CGT for the period Mary and Steve used the house as their main residence in their ownership period.

i This is a general summary only.

For more information:

- see ato.gov.au/deceasedestatesCGT
- download our Rental properties guide at ato.gov.au/RPguide
- read our Capital gains tax guide at ato.gov.au/CGTguide

