



Do you need to get a market value of your home at 30 June 2027?

Under the big tax changes announced in the May Budget, and now law, the generous 50% CGT discount will no longer apply from 1 July 2027 and will be replaced by the inflation-based “indexation” (except in limited circumstances).

However, it will still be available for the capital gain on an asset that accrues up to that date.

This will apply where you have acquired an asset before that date and sell it after that date (or where it is otherwise liable for CGT after that date).

In these circumstances you will need to obtain a market value of the asset as at 30 June 2027 in order to get the benefit of the 50% discount on any gain accrued up to that time (unless you choose to use the proposed alternative apportionment method).

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

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However, you may be wondering if you will also be required to obtain a market value for your home under these new rules.

Well, this will depend on whether you already have a partial CGT liability on your home.

This will occur if, for example, before that date, you rented the home before you moved into it or where you rented it after you moved in and you cannot use the “absence concession” to preserve the exemption.

It will also be relevant if you used part of your home to produce assessable income – for example where you ran a business from home, or rented a room or a granny flat at commercial rates.

In these circumstances, you would need a market value of the home at 30 June 2027 to be able to apply the 50% discount to the partial capital gain that accrued up to 30 June 2027.

And the same would be true if the gain accrued after 1 July 2027 (i.e. where you used the home to produce assessable income after that date unless the absence concession can apply).

This is because the new rules will deem you to have sold the home and re-acquired it for its market value on 30 June 2027. This means it is treated as a newly acquired

asset after that date. And any gain accruing after that date will be calculated by reference to this new market value cost base.

However, there is a major reason why a market valuation of your home is not required – or at least not at 30 June 2027.

And that is because of the peculiar rule that applies when you first use your home to produce assessable income (eg by way of renting it or for business use).

And that peculiar rule is that you are deemed to have acquired the home for its market value at the time you first use it to produce assessable income – with any capital gain being calculated by this new cost under the inflation-indexation method.

So, a market valuation may not necessarily be required on 30 June 2027 – but it will definitely be required on the date of any subsequent “first income use” of the home after that date.

The interaction of this rule and the new CGT rules for denying the discount can get a bit tricky.

It is definitely an area where you will need our expertise. So, make an appointment at any time to discuss the matter if you are in this type of scenario.