

CGT BRAIN Timeline Test Scenarios (SCENARIO Files and Links to be Provided)

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Scenario 1: Full Main Residence Exemption

Description

Sarah purchases her first home and lives in it continuously from purchase until sale. As she resided in the dwelling for the entire ownership period and never used it to produce income, she qualifies for the **full main residence exemption**.

Key Facts

- **Property:** 42 Jacaranda Avenue, Paddington QLD 4064
- **Purchase Date:** 15 March 2015
- **Purchase Price:** \$620,000
- **Sale Date:** 20 November 2024
- **Sale Price:** \$1,150,000
- **Total Ownership:** 3,538 days (9 years, 8 months)
- **Main Residence Days:** 3,538 days (100%)

Timeline of Events

Date	Event	Details
15 Mar 2015	Purchase	620,000 +24,800 stamp duty + \$2,500 legal fees
15 Mar 2015	Move In	Established as main residence
01 Jun 2018	Improvement	Kitchen renovation: \$45,000
15 Sep 2021	Improvement	Bathroom upgrade: \$28,000
20 Nov 2024	Sale	1,150,000( <i>Agent Fees:</i> 28,750, legal fees: \$2,200)

CGT Calculation

### Step 1: Calculate Capital Proceeds

Sale Price: \$1,150,000

### Step 2: Calculate Cost Base

Purchase Price: \$620,000

Stamp Duty: \$24,800

Purchase Legal Fees: \$2,500

Kitchen Renovation: \$45,000

Bathroom Upgrade: \$28,000

Sale Agent Fees: \$28,750

Sale Legal Fees: \$2,200

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Total Cost Base: \$751,250

### Step 3: Calculate Capital Gain

Capital Gain = \$1,150,000 - \$751,250 = \$398,750

### Step 4: Apply Main Residence Exemption

Main Residence Days: 3,538 / 3,538 = 100%

Exemption: FULL (100%)

### Step 5: Taxable Capital Gain

Taxable Amount = \$0 (FULLY EXEMPT)

RESULT: NO CGT PAYABLE

### Applicable Rules

- Full main residence exemption applies
- Property was main residence for entire ownership period
- No income-producing use

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### Scenario 2: Six-Year Absence Rule (Within 6 Years)

#### Description

Michael purchases a home, lives in it for 4 years, then moves interstate for work and rents out the property. He sells the property after 5 years of renting. As the rental period is **less than 6 years** and he chose to treat it as his main residence during absence (and didn't claim another property as main residence), the **full exemption** applies under the six-year rule.

#### Key Facts

- **Property:** 88 Harbour Street, Sydney NSW 2000
- **Purchase Date:** 1 July 2015
- **Purchase Price:** \$850,000
- **Sale Date:** 15 August 2024
- **Sale Price:** \$1,580,000
- **Total Ownership:** 3,333 days (9 years, 1.5 months)
- **Lived In:** 1,461 days (4 years)
- **Rented:** 1,873 days (5 years, 1.5 months)
- **Six-Year Rule:** Applies (rental period < 6 years)

#### Timeline of Events

Date	Event	Details
01 Jul 2015	Purchase	850,000 +34,000 stamp duty + \$3,800 legal fees
01 Jul 2015	Move In	Established as main residence
15 Mar 2017	Improvement	New deck and landscaping: \$32,000

Date	Event	Details
30 Jun 2019	Move Out	Relocated interstate for work
30 Jun 2019	Rent Start	Tenant moves in (same day as move out)
15 Aug 2024	Sale	1,580,000( <i>Agent Fees</i> :39,500, legal fees: \$3,200)

### CGT Calculation

#### Step 1: Calculate Rental Period

Rent Start: 30 June 2019

Sale Date: 15 August 2024

Rental Period = 1,873 days = 5.13 years

Rental period is LESS than 6 years

#### Step 2: Six-Year Rule Assessment

- Property was main residence before renting:
- Rental period under 6 years:
- No other property claimed as main residence:

RESULT: Full main residence exemption applies

#### Step 3: Calculate Capital Gain (for reference)

Sale Price: \$1,580,000

Cost Base:

Purchase Price:	\$850,000
Stamp Duty:	\$34,000
Purchase Legal Fees:	\$3,800
Deck/Landscaping:	\$32,000
Sale Agent Fees:	\$39,500
Sale Legal Fees:	\$3,200

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Total Cost Base: \$962,500

Capital Gain = \$1,580,000 - \$962,500 = \$617,500

#### Step 4: Apply Main Residence Exemption (Six-Year Rule)

Under s118.145, property continues to be treated as main residence

Exemption: FULL (100%)

#### Step 5: Taxable Capital Gain

Taxable Amount = \$0 (FULLY EXEMPT)

RESULT: NO CGT PAYABLE

#### Applicable Rules

- Six-year absence rule applies
  - Property treated as main residence during absence
  - Rental period (5.13 years) < 6 years
  - No other property claimed as main residence during this period
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**Scenario 3: Six-Year Absence Rule Exceeded (Partial Exemption)**

**Description**

John purchases a home, lives in it for 2 years, then moves overseas and rents it out. He returns and sells the property after **9 years** of renting. Since the rental period exceeds 6 years, only the first 6 years of rental are covered by the main residence exemption. The remaining 3 years are subject to CGT, resulting in a **partial exemption**.

**Key Facts**

- **Property:** 15 Ocean View Drive, Byron Bay NSW 2481
- **Purchase Date:** 1 March 2012
- **Move In Date:** 1 March 2012
- **Move Out Date:** 28 February 2014
- **Rent Start Date:** 28 February 2014 (same day as move out)
- **Sale Date:** 1 June 2024
- **Purchase Price:** \$450,000
- **Market Value at First Rental:** \$480,000 (First use to produce income rule applies)
- **Sale Price:** \$1,250,000
- **Total Ownership Days:** 4,476 days (from rent start to sale: 3,747 days)
- **Main Residence Days:** 2,922 days (lived in + 6 years rental exemption)
- **Non-Main Residence Days:** 1,096 days (3 years beyond 6-year limit)

**Timeline of Events**

Date	Event	Details
01 Mar 2012	Purchase	450,000 +18,000 stamp duty + \$2,800 legal fees
01 Mar 2012	Move In	Established as main residence
28 Feb 2014	Move Out	Relocated overseas for work

Date	Event	Details
28 Feb 2014	Rent Start	Tenant moves in (same day as move out). Market value: \$480,000
01 Jun 2024	Sale	1,250,000 ( <i>Agent Fees</i> :31,250, legal fees: \$2,800)

### CGT Calculation

Step 1: Apply First Use to Produce Income Rule (s118.192)

Since property was main residence then rented:

- Deemed acquisition date: 28 February 2014
- Deemed cost base: \$480,000 (market value at first rental)

Step 2: Calculate Rental Period

Rent Start: 28 February 2014

Sale Date: 1 June 2024

Total Rental Period = 3,747 days = 10.26 years

Rental period EXCEEDS 6 years by 3.26 years (1,096 days)

Step 3: Calculate Ownership Period (from deemed acquisition)

Deemed Acquisition: 28 February 2014

Sale Date: 1 June 2024

Total Ownership = 3,747 days

Step 4: Calculate Non-Main-Residence Days

Total rental days: 3,747

Six-year exemption: 2,192 days (6 years)

Non-main-residence days:  $3,747 - 2,192 = 1,555$  days

Note: Using the period from 28 February 2020 (end of 6-year rule)

to 1 June 2024 = 1,555 days as non-main-residence period

#### Step 5: Calculate Capital Gain

Sale Price: \$1,250,000

Cost Base (from deemed acquisition):

Deemed Acquisition Value: \$480,000

Sale Agent Fees: \$31,250

Sale Legal Fees: \$2,800

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Total Cost Base: \$514,050

Capital Gain =  $\$1,250,000 - \$514,050 = \$735,950$

#### Step 6: Apply Partial Main Residence Exemption

Taxable Proportion = Non-MR Days / Total Ownership Days

Taxable Proportion =  $1,555 / 3,747 = 41.50\%$

Taxable Capital Gain =  $\$735,950 \times 41.50\% = \$305,419$

#### Step 7: Apply 50% CGT Discount

Held > 12 months:

Discounted Gain =  $\$305,419 \times 50\% = \$152,710$



RESULT: NET CAPITAL GAIN = \$152,710

### Applicable Rules

- First use to produce income rule (deemed acquisition at market value)
  - Six-year absence rule (partial - exceeded 6 years)
  - 50% CGT discount applies (held > 12 months)
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### Scenario 4: Rental First, Then Main Residence (First Use to Produce Income)

#### Description

Emma purchases an investment property and rents it out immediately. After 3 years, she decides to move in and make it her main residence. She lives there for 5 years before selling. Because the property was **rented before becoming a main residence**, the six-year absence rule does NOT apply. Only the period as main residence is exempt.

#### Key Facts

- **Property:** 256 Collins Street, Melbourne VIC 3000
- **Purchase Date:** 1 February 2016
- **Purchase Price:** \$530,000
- **Rent Period:** 1 February 2016 to 10 April 2019 (1,165 days)
- **Move In Date:** 10 April 2019 (same day as rent end)
- **Sale Date:** 1 October 2024
- **Sale Price:** \$795,000
- **Total Ownership:** 3,166 days
- **Non-Main-Residence Days:** 1,165 days (rental period)

#### Timeline of Events

Date	Event	Details
01 Feb 2016	Purchase	530,000 +21,200 stamp duty + \$3,200 legal fees

Date	Event	Details
01 Feb 2016	Rent Start	Rented as investment property (same day as purchase)
10 Apr 2019	Rent End	Tenant vacates
10 Apr 2019	Move In	Owner moves in as main residence (same day as rent end)
01 Oct 2024	Sale	795,000( <i>Agent Fees</i> :19,875, legal fees: \$2,400)

### CGT Calculation

#### Step 1: Verify Six-Year Rule Eligibility

Property was rented BEFORE being used as main residence

Six-year rule does NOT apply (only applies when main residence first)

#### Step 2: Calculate Ownership Periods

Total Ownership: 1 Feb 2016 to 1 Oct 2024 = 3,166 days

Rental Period (Non-MR): 1 Feb 2016 to 10 Apr 2019 = 1,165 days

Main Residence Period: 10 Apr 2019 to 1 Oct 2024 = 2,001 days

#### Step 3: Calculate Capital Gain

Sale Price: \$795,000

Cost Base:

Purchase Price: \$530,000

Stamp Duty:	\$21,200
Purchase Legal Fees:	\$3,200
Sale Agent Fees:	\$19,875
Sale Legal Fees:	\$2,400

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Total Cost Base: \$576,675

Capital Gain = \$795,000 - \$576,675 = \$218,325

Step 4: Apply Partial Main Residence Exemption

Taxable Proportion = Non-MR Days / Total Ownership Days

Taxable Proportion = 1,165 / 3,166 = 36.80%

Exempt Proportion = 2,001 / 3,166 = 63.20%

Exempt Amount = \$218,325 × 63.20% = \$137,981

Taxable Capital Gain = \$218,325 × 36.80% = \$80,344

Step 5: Apply 50% CGT Discount

Held > 12 months:

Discounted Gain = \$80,344 × 50% = \$40,172

RESULT: NET CAPITAL GAIN = \$40,172

#### Applicable Rules

- Partial main residence exemption
- **Six-year rule NOT applicable:** Property was investment first, then main residence

- 50% CGT discount applies

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## Scenario 5: Moving Between Main Residences (6-Month Overlap Rule)

### Description

David owns his main residence (Property 1) and purchases a new home (Property 2). He moves into the new home while still owning the old one. This scenario demonstrates the **6-month overlap rule** where both properties can be treated as main residence for up to 6 months during the transition period.

### Key Facts

#### Property 1: Original Home

- **Address:** 78 Rose Street, Brisbane QLD 4000
- **Purchase Date:** 1 May 2012
- **Purchase Price:** \$420,000
- **Sale Date:** 15 July 2024
- **Sale Price:** \$780,000
- **Total Ownership:** 4,458 days

#### Property 2: New Home

- **Address:** 33 Mountain View Road, Brisbane QLD 4000
- **Purchase Date:** 1 February 2024
- **Purchase Price:** \$920,000
- **Current Status:** Main Residence (not sold)

### Overlap Period

- **New Home Purchase (Move In):** 1 February 2024
- **Old Home Sale:** 15 July 2024
- **Overlap Duration:** 165 days (5.5 months)
- **Within 6-Month Limit:** YES

### Timeline of Events

### Property 1 Events

Date	Event	Details
01 May 2012	Purchase	420,000 +14,700 stamp duty + \$2,200 legal fees
01 May 2012	Move In	Established as main residence (same day as purchase)
01 Feb 2024	Move Out	Moved to new home (Property 2)
15 Jul 2024	Sale	780,000( <i>Agent Fees</i> :19,500, legal fees: \$2,000)

### Property 2 Events

Date	Event	Details
01 Feb 2024	Purchase	920,000 +36,800 stamp duty + \$4,200 legal fees
01 Feb 2024	Move In	Established as new main residence (same day as purchase)

### CGT Calculation - Property 1

Step 1: Verify 6-Month Overlap Rule Eligibility (s118.140)

Requirements:

- Lived in Property 1 for at least 3 months in past 12 months:

(Lived there until 1 Feb 2024, sold 15 Jul 2024)

- Property 1 did not produce income during overlap:

(Was not rented)

- Overlap period  $\leq$  6 months:

(165 days = 5.5 months)

RESULT: Both properties treated as main residence during overlap

## Step 2: Calculate Main Residence Period for Property 1

Purchase: 1 May 2012

Sale: 15 July 2024

Total Ownership = 4,458 days

Property 1 treated as main residence: ENTIRE period

(Including overlap period under s118.140)

## Step 3: Calculate Capital Gain (for reference)

Sale Price: \$780,000

Cost Base:

Purchase Price: \$420,000

Stamp Duty: \$14,700

Purchase Legal Fees: \$2,200

Sale Agent Fees: \$19,500

Sale Legal Fees: \$2,000

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Total Cost Base: \$458,400

Capital Gain = \$780,000 - \$458,400 = \$321,600

## Step 4: Apply Main Residence Exemption

Under s118.140, both homes treated as main residence for overlap

Property 1 was main residence for entire ownership

Exemption: FULL (100%)

#### Step 5: Taxable Capital Gain

Taxable Amount = \$0 (FULLY EXEMPT)

RESULT: NO CGT PAYABLE

#### **What If Overlap Exceeded 6 Months?**

If David had sold Property 1 **after** 1 August 2024 (more than 6 months after purchasing Property 2):

Example: Sale on 15 October 2024 (8.5 months overlap)

#### Step 1: Determine Taxable Period

Only 6 months before sale date can have overlapping exemption

Sale Date: 15 October 2024

6 months before: 15 April 2024

New Home Purchase: 1 February 2024

Non-exempt overlap: 1 Feb 2024 to 15 Apr 2024 = 74 days

One property must NOT be main residence for 74 days

David must choose which property loses exemption for this period

#### Step 2: If Property 1 Loses Exemption for 74 Days

Total Ownership: 4,550 days (1 May 2012 to 15 Oct 2024)

Non-MR Days: 74 days

Taxable Proportion =  $74 / 4,550 = 1.63\%$

Taxable Gain =  $\$321,600 \times 1.63\% = \$5,242$

After 50% discount = \$2,621

**Applicable Rules**

- Moving between main residences (6-month overlap rule)
- Both properties can be main residence for up to 6 months during transition
- If exceeded, one property loses exemption for the excess period