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The discount method of calculating your capital gain

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Eligibility

You can use the discount method to calculate your capital gain if:

- you're an individual, trust or complying super fund
- the CGT event happened to your asset after 11.45am (by legal time in the ACT) on 21 September 1999
- you acquired the asset at least 12 months before the CGT event
- you did not choose to use the indexation method.

Generally, the discount method does not apply to companies, although it can apply to a limited number of capital gains made by life insurance companies.

You can use the discount method to work out your capital gain from a property if:

- you acquire a property and construct a building or make improvements to it that are not separate assets
- you owned the property for at least 12 months (even if you did not construct the new building or improvements more than 12 months before the CGT event happened).

For foreign resident individuals, the 50% discount is removed or reduced on capital gains made after 8 May 2012 – see [CGT discount for foreign resident individuals \(/general/capital-gains-tax/international-issues/cgt-discount-for-foreign-resident-individuals/\)](#).

For foreign resident individuals, the 50% discount is removed or reduced for capital gains made after 8 May 2012 on taxable Australian property.

See also:

- [Relationship breakdown \(/general/capital-gains-tax/relationship-breakdown/\)](#)
- [Involuntary disposal of a CGT asset \(/general/capital-gains-tax/selling-an-asset-and-other-cgt-events/involuntary-disposal-of-a-cgt-asset/\)](#)
- [CGT discount for foreign resident individuals \(/general/capital-gains-tax/international-issues/cgt-discount-for-foreign-resident-individuals/\)](#)

Certain capital gains are excluded

The CGT discount does not apply to capital gains from certain CGT events:

- D1 Creating contractual or other rights
- D2 Granting an option
- D3 Granting a right to income from mining
- E9 Creating a trust over future property
- F1 Granting a lease
- F2 Granting a long-term lease
- F5 Lessor receives payment for changing a lease
- H2 Receipt for an event relating to a CGT asset
- J2 Change in relation to a replacement asset or improved asset after a rollover under Subdivision 152-E
- J5 Failure to acquire replacement asset and to incur fourth element expenditure after a rollover under Subdivision 152-E
- J6 Cost of acquisition of replacement asset or amount of fourth element expenditure, or both, not sufficient to cover disregarded capital gain
- K10 Forex realisation gain.

If you make a capital gain from a CGT event that creates a new asset – for example, receiving a payment for agreeing not to do something (entering into a restrictive covenant) – you cannot satisfy the 12-month ownership rule so your CGT event does not qualify for the CGT discount.

The CGT discount may be denied:

- if the CGT event that gave rise to the capital gain occurred under an agreement that was made within 12 months of the acquisition of the asset
- on the disposal of certain shares or trust interests in non-widely held companies and trusts – that is, those with fewer than 300 members, or
- if an arrangement was entered into for the purposes of claiming the CGT discount under which an 'income' asset was converted into a 'capital' asset (conversion of income to capital) (Part IVA of the *Income Tax Assessment Act 1936*).

If the 'home first used to produce income' rule applies and the period between when you first used the dwelling to produce income and the CGT event happening is not at least 12 months, the discount method is not available.

See also:

- [Value of home when first used to produce income \(/general/capital-gains-tax/your-home-and-other-real-estate/your-main-residence/using-your-home-to-produce-income/?anchor=Homefirstusedtoproduceincome#Homefirstusedtoproduceincome\)](#)

Discount percentage

The discount percentage is the percentage by which you reduce your capital gain. You can reduce the capital gain only after you have applied all the capital losses for the income year and any unapplied net capital losses from earlier years.

The discount percentage is 50% for individuals and trusts, and 33.33% for complying super funds and eligible life insurance companies.

Example

Justin bought a block of land, held it for 18 months and sold it, making a profit of \$10,000. He has no capital losses. If he uses the discount method of calculation, he will declare a capital gain of \$5,000.

Next steps:

- You can use the [Capital gain or capital loss worksheet \(/Forms/Using-the-capital-gain-or-capital-loss-worksheet/\)](#) to work out and compare your outcomes when using the discount and indexation methods, and to work out your capital gain or loss using the 'other' method.

See also:

- [Choosing the indexation or discount methods \(/general/capital-gains-tax/working-out-your-capital-gain-or-loss/working-out-your-capital-gain/choosing-the-indexation-or-discount-methods/\)](#)
- [The indexation method of calculating your capital gain \(/general/capital-gains-tax/working-out-your-capital-gain-or-loss/working-out-your-capital-gain/the-indexation-method-of-calculating-your-capital-gain/\)](#)

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