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5 October 2020

# Removing Capital Gains Tax for Granny Flats

**Joint media release with**

**The Hon Michael Sukkar MP**

**Minister for Housing and Assistant Treasurer**

The Morrison Government is supporting older and disabled Australians and their families by providing a targeted Capital Gains Tax (CGT) exemption for granny flat arrangements where there is a formal written agreement in place.

Tax consequences can be a key impediment to families creating formal and legally enforceable granny flat arrangements.

When faced with a potentially significant CGT liability, families may opt for informal arrangements which can leave open the risk of financial abuse and exploitation, for example following a family or relationship breakdown.

Under the measure, CGT will not apply to the creation, variation or termination of a formal written granny flat arrangement providing accommodation for older Australians or people with disabilities.

The measure will commence as early as 1 July 2021 subject to the passing of legislation.

This change will only apply to agreements that are entered into because of family relationships or other personal ties and will not apply to commercial rental arrangements.

Currently there are around 3.9 million pensioners and around 4 million Australians with a disability who would be eligible for this exemption under this change.

The measure is consistent with the Government's *National Plan to Respond to the Abuse of Older Australians* announced on 19 March 2019, the Board of Taxation's *Review of Granny Flat Arrangements*, and the 2017 Australian Law Reform Commissions Report: *Elder Abuse a National Legal Response*.

As part of the 2020-21 Budget, this will boost the construction industry, stimulate demand for new housing and support tradies' jobs at a time when the economy needs it most.

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