



Key Investment Concepts

CGT Implications for Deceased Estates

Aon Hewitt Financial Education Series

Death does not generally produce an immediate realisation of a taxable gain or loss on assets held by the deceased for Capital Gains Tax (CGT) purposes. However if assets of the estate pass to a beneficiary who is an exempt entity or the trustee of a complying super fund, then a CGT event may occur immediately.

For assets that pass to a non-resident, a CGT event may occur immediately if that asset is identified as having no “necessary connection” to Australia. If the asset does have a connection to Australia then the CGT event will be delayed until the non-resident disposes of the asset.

Where the deceased’s asset is a post-CGT asset (purchased on or after 20 September 1985), the inherited cost base is the deceased’s cost base on date of death.

If the asset was a pre-CGT asset (purchased before 20 September 1985), then the inherited cost base is the market value of the asset on the date of death.

‘What about my home?’

Generally the family home will be exempt from CGT when it is sold. The deceased’s main residence remains exempt from CGT if:

- During the time the main residence was owned by the legal personal representative (executor or administrator), it was occupied by the widow or other individual who had the right to occupy the main residence;
- It is disposed of within two years of the date of death; and
- Where the title passes to a beneficiary, it also becomes that beneficiary’s main residence; and
- Only a natural person may take advantage of this CGT exemption.

Please note that in order to satisfy the two year window, the main residence must be settled within two years. An exchange of a contract within this two year period will not satisfy the CGT exemption rules.

Capital Gains Tax (CGT) implications of bequests

Bequests are gifts of specific items of property owned by the testator. A bequest can include: cars, shares, jewellery, artwork etc.

This area is complex, it is important to be aware of the capital gain implications of bequests. In particular, you should be aware that assets, which you acquired on or after 20 September 1985 and which pass to:

- An entity which is exempt from tax (e.g. charity, church etc); or
- The trustee of a complying super entity; or
- A non-resident beneficiary,

will result in a capital gain/loss. This tax liability could impact the remaining value of your estate.

For beneficiaries not identified above, assets are deemed to have been acquired by the beneficiary on the date of your death and the following cost base rules apply:

Assets you acquired before 20 September 1985

Where you acquired the asset prior to this date, the beneficiary will be deemed to have acquired the asset at market value at the date of your death. A potential CGT liability will only accrue from this date.

Assets you acquired on or after 20 September 1985

Where you acquired the asset after this date, the beneficiary will inherit your cost base. A CGT liability will arise only when the asset is disposed of.

Aon Hewitt Financial Advice Limited | ABN 13 091 225 642 AFSL No 239183

This information may be regarded as general advice. That is, your personal objectives, needs or financial situations were not taken into account when preparing this information. Accordingly, you should consider the appropriateness of any general advice we have given you, having regard to your own objectives, financial situation and needs before acting on it. Where the information relates to a particular financial product, you should obtain and consider the relevant product disclosure statement before making any decision to purchase that financial product.

This document, including all tax and super calculations, has been prepared using legislation in place as at 1 July 2018.