

# GMS Flash Alert



2019-049 | March 20, 2019

## Australia – Proposed CGT Main Residence Exemption Changes Could Be Dropped

Australian expatriates can breathe a sigh of relief following comments from Assistant Treasurer Stuart Robert which indicate the proposed changes to the capital gains tax (CGT) main residence exemption in their current form, will not be legislated.<sup>1</sup>

The move follows intense lobbying and media attention from Australian expatriate groups on the controversial changes announced in the May 2017 federal budget.

Speaking at the Taxation Institute conference on 15 March, the Assistant Treasurer indicated that the Coalition government would not be seeking to pursue the passing of the Bill<sup>2</sup> which was introduced into Parliament last year. (For prior coverage, see GMS [Flash Alert 2017-132](#), 1 September 2017.) The Bill is currently before the Senate, which is only scheduled to sit for two days prior to the expected calling of a federal election.

---

### WHY THIS MATTERS

The proposed changes would have potentially resulted in large capital gains tax bills for Australians selling their main residence whilst they are residing overseas.

---

### In Brief: Key Aspect of the Measure in the Bill

The Bill's pertinent measure would have applied to the sale of all homes from 1 July 2019 onwards, removing the main residence exemption from capital gains tax where the property is disposed of while the individual taxpayer is a tax nonresident of Australia.

---

## KPMG NOTE

### Potential Impact of the Bill's Measure

There would also have been adverse consequences for beneficiaries of the estates of expatriates who pass away overseas, and divorcing couples with Family Court settlements. Of particular concern to many taxpayers was the way the legislation had been drafted, so as not to allow any pro-rating or apportionment for the part of the gain accrued while a tax resident.

### Welcome News from Assistant Treasurer

The comments from the Assistant Treasurer are welcome, as taxpayers were looking for guidance from the government. The comments have to some extent reduced the uncertainty since the announcement of the proposals in May 2017. Many expatriates may have been weighing up the difficult choice between selling their main residence in advance of the 1 July 2019 start date to maintain the exemption, or to take the chance that the announced changes would not go ahead.

### Next Steps

There may be something more official in the April 2 budget announcement confirming the comments made by the Assistant Treasurer. It is still possible that a similar Bill (with some revisions) may be introduced in the future.

### Important Reminder

Taxpayers should still be aware of the '6 year rule' that remains in-force for property that is rented out and was previously occupied as a main residence prior to a move overseas, and seek professional advice before leaving Australia and becoming a nonresident of Australia for tax purposes.

---

## FOOTNOTES:

1 In response to questions at the Tax Institute's National Convention. See the report in *AccountantsDaily* (online): J. Lian, "CGT main residence proposal self-implodes," (18 March 2019).

2 *Treasury Laws Amendment (Reducing Pressure on Housing Affordability Measures No. 2) Bill 2018*.

\* \* \* \*

## People Services in Australia

### ***Brisbane, Queensland***

#### **Hayley Lock**

Partner - People Services  
Mobile: +61 477 764 638  
[hlock@kpmg.com.au](mailto:hlock@kpmg.com.au)

### ***Melbourne, Victoria***

#### **Mardi Heinrich**

Partner - Deals, Tax & Legal  
People Services  
Mobile: +61 410 602 993  
[meheinrich@kpmg.com.au](mailto:meheinrich@kpmg.com.au)

### ***Perth, Western Australia***

#### **Dan Hodgson**

Partner - People Services  
Mobile: +61 416 017 131  
[dghodgson@kpmg.com.au](mailto:dghodgson@kpmg.com.au)

### ***Sydney, New South Wales***

#### **Ablean Saoud**

Partner - Deals, Tax & Legal  
People Services  
Mobile: +61 421 052 596  
[asaoud@kpmg.com.au](mailto:asaoud@kpmg.com.au)

#### **Jackie Shelton**

Partner - Deals, Tax & Legal  
Mobile: +61 412 291 846  
[jsshelton@kpmg.com.au](mailto:jsshelton@kpmg.com.au)

## Contact us

For additional information or assistance, please contact your local GMS or People Services professional or one of the following professionals with the KPMG International member firm in Australia:



**Mardi Heinrich**

Tel. +61 3 9838 4348

[meheinrich@kpmg.com.au](mailto:meheinrich@kpmg.com.au)



**Dan Hodgson**

Tel. +61 8 9278 2053

[dghodgson@kpmg.com.au](mailto:dghodgson@kpmg.com.au)



**Ablean Saoud**

Tel. +61 2 9335 8550

[asaoud@kpmg.com.au](mailto:asaoud@kpmg.com.au)

**The information contained in this newsletter was submitted by the KPMG International member firm in Australia.**

© 2019 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

[www.kpmg.com](http://www.kpmg.com)

[kpmg.com/socialmedia](http://kpmg.com/socialmedia)



© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

*Flash Alert* is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.