Australian Government
Australian Taxation Office

Using capital losses to reduce capital gains

Find out when you can use capital losses to reduce your capital gains, and how to carry forward a net capital loss.

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When to use capital losses

You use your current year capital losses to offset your current year capital gains. You can choose which capital gains to subtract your capital losses from. If you have any capital gains that are not eligible for the CGT discount, subtract your capital losses from these gains first. This will result in the lowest payable CGT.

If you have capital losses from prior years, also known as net capital losses carried forward, you can use them to offset your current year capital gains. If your prior year capital losses extinguished your current year capital gain, you don't have a current year capital gain.

As net capital losses can be carried forward indefinitely, there is an order of using your capital losses to offset capital gains. You apply your net capital losses in the order that you make them.

There are capital losses you can't use to offset capital gains, they are listed at non-allowable capital losses (#Nonallowablecapitallosses).

Carrying forward a net capital loss

If your allowable capital losses are greater than your capital gains, you have a net capital loss. You can carry it forward to later income years to be deducted from future capital gains. You can’t deduct capital losses or a net capital loss from your other assessable income.

There is no time limit on how long you can carry forward a net capital loss.

Non-allowable capital losses

You can't deduct capital losses you make from:

- personal use assets (/individuals-and-families/investments-and-assets/capital-gains-tax/list-of-cgt-assets-and-exemptions#ato-Personaluseassets), such as boats or furniture
- assets that are exempt from CGT (/individuals-and-families/investments-and-assets/capital-gains-tax/list-of-cgt-assets-and-exemptions), such as cars and motorcycles
- collectables below a certain value (/individuals-and-families/investments-and-assets/capital-gains-tax/list-of-cgt-assets-and-exemptions#ato-Collectables)
- a lease (whether the result of expiry, forfeiture, surrender or assignment) – except if its main purpose is producing income, such as for a commercial rental property or a car
- paying personal services income (/businesses-and-organisations/income-deductions-and-concessions/personal-services-income) to yourself through an entity you have set up.

Capital losses from collectables

Capital losses from collectables (/individuals-and-families/investments-and-assets/capital-gains-tax/list-of-cgt-assets-and-exemptions#ato-Collectables) can only be deducted from capital gains made from collectables. They can't be deducted from gains made from other assets.

If you don't have a capital gain from another collectable, you can carry forward the capital loss to deduct it against a gain from a collectable in a future year.

A collectable is not subject to CGT if you acquired it for $500 or less (or acquired an interest in it when it had a market value of $500 or less). This means you ignore a capital gain or loss from the collectable.

Company capital losses

A company can deduct previous net capital losses from capital gains in the current year as long as it is either:

- substantially under the same ownership and control
- still in the same line of business.

Trust capital losses

Capital losses made by a trust can't be distributed to the trust's beneficiaries. The trust can carry forward its net capital losses and deduct them from capital gains in future years.

Exempt entity losses

Losses made by an entity that is exempt from income tax are disregarded.

For more information and help on how to calculate your CGT, see Calculating your CGT (/individuals-and-families/investments-and-assets/capital-gains-tax/calculating-your-cgt).

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Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.