

# CAPITAL GAINS TAX



## SELLING YOUR BUSINESS TO ENSURE MAXIMUM NET WORTH

For the majority of small to medium sized business owners, the value of your business is your biggest asset and, very likely, your retirement fund.

Upon the sale of your business it is critical you receive the maximum available net proceeds. However, many taxpayers miss this once in a lifetime chance through poor transaction planning and the holding of assets in inappropriate structures. Just because you consider yourself a small business does not mean you have automatic access to all available CGT concessions.

While the rules are complex, if the correct planning is in place, a husband and wife team have the ability to receive up to \$4 million tax free after the sale of their business.

### THE ULTIMATE CGT POSITION

Capital Gain.....	\$4 million
<i>Less</i>	
CGT discount (50%) .....	\$2 million
Active asset reduction (50% of balance) .....	\$1 million
Retirement exemption (2 x \$500,000) .....	\$1 million
Total.....	\$4 million
Assessable Capital Gain.....	Nil

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## KEY CONSIDERATIONS

- ▶ Companies do not receive the 50% general discount
- ▶ The owner/s needs to have owned the business/asset for more than one year – CGT discount 50%
- ▶ Business must be under \$6 million in net value
- ▶ Any assets sold must be 'Active Assets' (used in the business for a certain period)
- ▶ To maximise the concessions, the business owners must use the Retirement Exemption, rolling up to \$500,000 per individual of their sale proceeds into superannuation

## EFFECTIVE PLANNING FOR THE SALE OF YOUR BUSINESS CAN MAKE A HUGE DIFFERENCE TO YOUR AFTER-TAX RETURN – UP TO \$4MILLION

Here is an example.

A client approached us with a plan to sell their business in two years time. Because the client had time on their side, we were able to implement a solution to ensure all considerations were met. Below is a comparison study showing the change in the client's net result

	<i>Pre ClearyHoare</i>	<i>ClearyHoare Result</i>
Taxable.....	\$1.5 million	\$1.5 million
<b>Less</b>		
CGT discount (50%) .....	Nil	\$750,000
Active asset reduction (50% of balance) .....	\$750,000	\$375,000
Retirement exemption .....	Nil	\$375,000
Assessable capital gain .....	\$750,000	Nil
Tax payable .....	\$364,000	Nil

### WHY GIVE THE GOVERNMENT **\$364,000** THAT IS LEGITIMATELY YOURS?

Without expert advice, results like this may not always be achieved. There are two very common explanations why business owners miss these generous tax concessions.

- ▶ You leave it too late to inform your advisors about your intention to sell
- ▶ Your advisors do not have a thorough understanding of the legislation and the possible restructuring opportunities.

As taxation specialists, our focus is on providing the best possible net outcome for business owners.

For further information or advice on how Cleary Hoare's Capital Gains Tax solutions can help secure your future, contact one of our qualified professionals directly, or via your Accountant or Financial Planner for an obligation free review.

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