THINKING OF SELLING YOUR BUSINESS?

Do not sell without first gaining professional advice

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 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 transactions 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 can receive up to $4 million tax free after the sale of their business. (If you've run your business for at least 15 years, all the sale proceeds might be tax free!)

KEY **CONSIDERATIONS**

- Companies do not receive the 50% general discount
- The owner(s) need to have owned the business / asset for more than 1 year – CGT discount 50%
- Taxpayer group:
    - Must be under $6M in net value; or
    - Under $2M turnover threshold
- Any assets sold must be 'active assets' used in the business for a certain period
- To maximise the concessions, the business owner(s) might need to use the 'retirement exemption', rolling up to $500,000 per individual of their sale proceeds into superannuation

ULTIMATE CGT **POSITION**

Capital Gain	$4 Million
Less	
CGT Discount (50%)	$2 Million
Active Asset Reduction (50% of Balance)	$1 Million
Retirement Exemption (2 x $500,000)	$1 Million
TOTAL	**$4 Million**

Effective planning for the sale of your business can make a huge difference to your after-tax return – up to $4M

HERE IS AN **EXAMPLE**

A client approached us with a plan to sell their business in two years' time. The business was owned in a company structure and 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, assuming the final capital gain is paid out to an individual from the company, before and after our meeting with them.

	BEFORE	AFTER
Business Goodwill	$3.0M	$3.0M
Business Premises	$1.5M	$1.5M
Investment Properties	$800k	$800k
Cash/Shares/Managed Funds	$1.0M	$400k
Value of Family Home	$1.0M	$1.0M
Value of Superannuation	$500k	$1.1M
Less		
Family Home (excluded asset)	$1.0M	$1.0M
Superannuation (excluded asset)	$500k	$1.1M
TOTAL ASSETS INCLUDED	**$6.3M**	**$5.7M**

As you can see above, by converting $600,000 of liquid assets (cash/shares) and making a non-concessional contribution to superannuation, the small business CGT concessions can now be applied as the total asset values included for the small business calculations is now under $6M. So, after executing the above simple strategy what result can we achieve after sale of business goodwill:

	BEFORE	AFTER
Capital Gain	$3.0M	$3.0M
Less		
CGT Discount (50%)*	Nil	$1,5M
Active Asset Reduction (50% of Bal)*	Nil	$750k
Retirement Exemption (2 x $500,000)*	Nil	$750k
Assessable Capital Gain	$3.0M	Nil
TOTAL	**$825,000**	**Nil**

** Without proper advice, the business was unable to meet the conditions to access small business CGT concessions – as such, the entire capital gain has become taxable in the hands of the company.*

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

1. You leave it too late to inform your advisors about your intention to sell; or
2. 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 outcome for business owners.

SELLING YOUR BUSINESS FOR **MAXIMUM NET WORTH**

You face the real chance of missing out on the generous small business capital gains tax concessions through a lack of pre-sale planning. Poor planning in this area could result in you losing potentially $1 million in legitimate tax concessions. As an example, if you currently operate out of a company (Pty Ltd) structure you are NOT eligible for the 50% general discount on capital gains.

Timing is critical, almost all restructure options are lost once you have signed a contract, even super contributions made post contract date are invalid when looking at the $6M net asset test.

For an obligation free review on how our capital gains tax solutions can help secure your future, before you sell, we have a couple of questions for you.

QUESTIONNAIRE	
Entity Name	
Date of Purchased	
Cost Base / Purchase Price	$
Estimated Sale Price	$
Capital Losses *(e.g. ASX shares at a loss)*	$
Estimated Date of Sale	$
Asset being sold is active	☐ Yes ☐ No
An asset is an active asset if it has been used while carrying on a business by the owner, an affiliate or an entity connected to the owner. If you are selling the entire business the answer should be yes.	
Asset owned by business continuously for at least 15 years, just before the sale	☐ Yes ☐ No

QUESTIONNAIRE

Net Worth of Owner	$	
The net worth includes personal assets or assets held in associated companies or trusts		
Aggregate turnover of the business and connected entities	$	
Does the business have any significant individual(s)	☐ Yes	☐ No
If a trust: *Is there an individual with a direct or indirect interest in the trust of at least 20% of income AND capital distributions?* ***If a company:*** *Is there an individual with direct or indirect interest in the company of at least 20% voting power, and income and capital distributions?*		
Have they been a significant individual for at least 15 years	☐ Yes	☐ No
Were they at least 55 years old just before the date of sale, and either retiring in connection with the sale or permanently incapacitated	☐ Yes	☐ No
How many CGT concession stakeholders?		
A CGT concession stakeholder is a person that is a significant individual in a company or trust, or a spouse of a significant individual with a direct or indirect interest in the company/trust that is greater than zero.		

WHAT **NEXT**

After receiving your completed questionnaire, we will provide you with an initial report of advice for you to review and discuss with us, obligation free!

For further information or advice on how our capital gains tax solutions can help secure your future, contact our office today

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