

SELL A SMALL BUSINESS TAX-EFFECTIVELY

Using the small business capital gains tax concessions to boost your super

- ✓ **Are you selling a business asset and expecting a significant capital gain?**
- ✓ **Are you looking to retire after the sale of your business?**
- ✓ **Do you wish to use the sale proceeds to fund your retirement?**

How does it work?

Subject to meeting some basic requirements, business owners can take advantage of the Government's small business concessions to reduce or even extinguish any capital gains tax (CGT) derived from the sale of a business or business asset.

If the business asset was held for 15 years or more and the owner is permanently incapacitated or over 55 and retiring:

- any capital gains **would not be taxed**; plus
- up to \$1.205m of any sale proceeds could be contributed into super without counting towards the concessional or non concessional caps.

If the business asset was held for less than 15 years, your net capital gain after the 50% personal CGT discount (if you're eligible) may be reduced by half under the 50% active asset reduction. Further to this, up to \$500,000 or any remaining capital gain may be disregarded and contributed into super and excluded from your concessional or non concessional caps. The rest of the sale proceeds can then be contributed into super under the concessional and non concessional caps.

What does it mean for me?

This is a significant opportunity for small business owners. Not only does it provide scope to reduce your CGT liability, it also allows you to turn the proceeds from the sale of your business into a tax effective income stream in retirement.

However, specialist advice is required if you're considering this strategy, so it's important to seek professional financial, legal and tax advice specific to your circumstances. You should also note that lifetime limits apply to these elections and the election forms must be completed at the same time as the contribution is made into super to be effective.

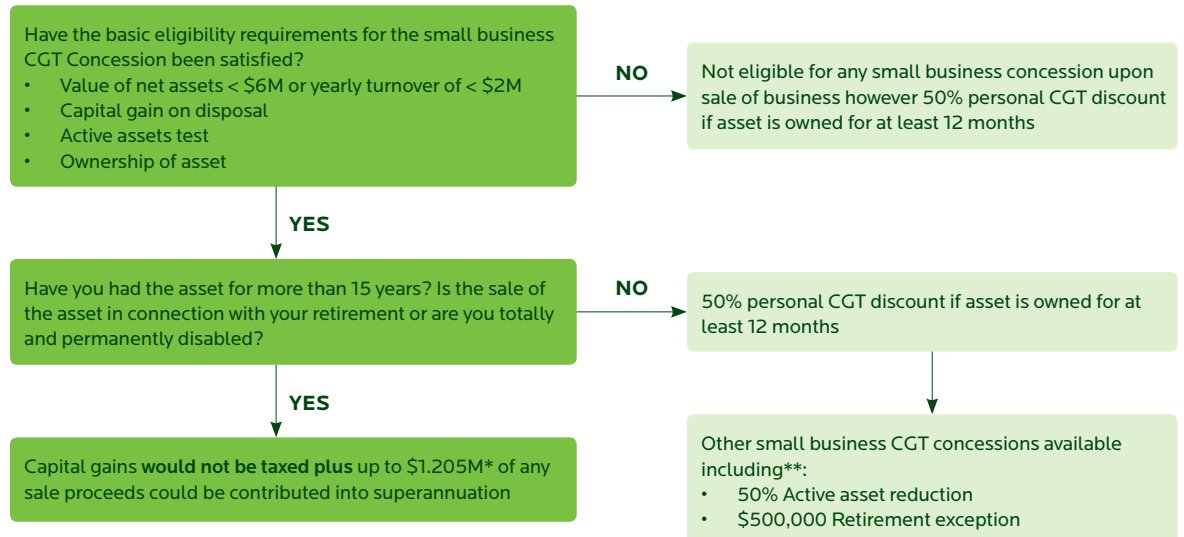
How do I know if I qualify?

To be eligible for the CGT concessions for small business owners, you need to meet the following basic requirements:

- Your net asset value is less than \$6 million or your business turnover is less than \$2 million p.a.
- The sale must result in a capital gain.
- The asset you own must be an active asset – meaning the asset must have been used or held ready for use in a business carried on by yourself (whether alone or in partnership), your affiliate, your spouse, your child under 18 or an entity connected with you.
- The asset's business use must be for at least half of the period you owned it, or if you've owned it for at least 15 years the business use must be for a total of at least 7.5 years.

Right Strategy. Right Time.

Small business concessions: treatment of capital gain upon sale of business



* As at 2011/12

** Not in any particular order

Putting it into practice

Bob and Jane are joint owners of the shopfront from which they've run their newsagency for the last 20 years. They acquired the property in 1992 for \$300,000 and have continuously owned it outright. In 2012, in line with their pending retirement, Bob and Jane sold the property for \$1 million. Both aged 60, their net assets are less than \$6 million and they're looking to use the sale proceeds to fund their retirement.

Because they've owned their shopfront for more than 15 years and are retiring, Bob and Jane would be eligible for the Small Business Concessions. They can apply the sale of their business as follows:

Proceeds of sale	\$1 million
Capital gain	\$700,000 (\$1 million – \$300,000)
Accessible capital gains	\$0

As a result, Bob and Jane can contribute \$500,000 each into super without the amount affecting their contribution caps, if they make the required elections. That means they can potentially contribute more funds into super in the same year under concessional and non concessional caps.

To find out how you could sell your small business tax-effectively, talk to your financial adviser today.

IMPORTANT INFORMATION

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