Capital Gains Tax when selling your business: How to ensure maximum net worth

Fact Sheet, July 2023

For the majority of small to medium 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 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 has the ability to receive up to $4 million tax free after the sale of their business.

KEY Considerations

+ Applies to Australian residents
+ Companies do not receive the 50% general discount

The 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
Assessable Capital Gain	NIL

+ The owner/s need to have owned the business/asset for 12 months or more – CGT discount 50%
+ Taxpayer group:
  + Must be under $6 million in net value, or
  + Under $2 million aggregated turnover threshold
+ Any assets sold must be 'Active Assets' (used in business for a certain period)
+ To maximize 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 $4 million.

Here is an example. A client approached us with a plan to sell their business in three years time. The business was owned in a Company Structure 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.

This advice resulted in a tax saving of $352,500.

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.

	Pre Meeting	**Post meeting Result**
Capital Gain	$1.5 Million	$1.5 Million
LESS		
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 and Medicare levy payable	$352,500	NIL

+ You leave it too late to inform you advisors about your intention to sell; or
+ 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 information or advice on how Accru can help secure your future, contact your local Accru advisor for an obligation free review.

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