

Small business lifetime cap BONUS (4)

Are you a small business owner selling your business or disposing of an active business asset? If so, did you know you might be able to disregard some or all of any capital gain by putting the proceeds into superannuation?

Lifetime CGT cap

If you are a small business owner and want to sell your business or dispose of an active asset, you may be eligible to disregard some or all of the capital gain resulting from the disposal under the small business CGT concessions.

In addition, you may be able to contribute some or all of the sale proceeds to superannuation and elect for the contributions to count towards the lifetime CGT cap.

The lifetime CGT cap for 2021/22 is \$1.615 million (indexed annually) and operates separately from the non-concessional contribution (NCC) and concessional contribution (CC) caps, allowing you to get more money into superannuation.

Amounts that qualify under the lifetime CGT cap

Although there are four small business CGT concessions, only two are relevant for superannuation contributions. Amongst other eligibility criteria that must be met, you must generally have aggregated business turnover of less than \$2 million or have net assets of less than \$6 million.

The two small business concessions that count against the lifetime CGT cap for retirement purposes include:

1. The 15-year CGT exemption, and
2. The retirement exemption.

The 15-year exemption

The 15-year exemption counts towards the lifetime CGT cap before other small business CGT concessions are applied. The exemption allows the capital gain received from the sale or disposal of an active business asset to be disregarded if it has been owned by the small business for at least 15 years.

This means you may be able to use the entire lifetime CGT cap of \$1.615 million as this amount can include all proceeds from the sale of active business assets.

However, if you are claiming this concession, you must be older than 55 at the time of the sale or disposal and the amount received must be in connection with your retirement.

If the 15-year exemption does not apply, you can consider other available CGT small business concessions (ie, the 50% active asset reduction, the CGT rollover exemption, and/or the 50% general CGT discount for individual taxpayers).

The retirement exemption

This concession can exempt a capital gain on a business asset, up to a lifetime limit of \$500,000 (non-indexed) per qualifying individual.

If you wish to contribute more of the sale proceeds, it must be done as CC or NCC, assuming you're eligible to contribute to superannuation.

Note, there is no requirement for you to retire despite the name of this concession. Upon meeting certain conditions, even an individual under the age of 55 could be eligible for this tax concession.

Seek advice

There are important conditions that must be met to use the small business CGT concessions and the lifetime CGT cap. Therefore, it is worthwhile checking with your tax adviser to confirm whether you meet the basic eligibility requirements.

As well as considering your personal circumstances and objectives, your tax or financial adviser can also help explain:

- The timing rules which determine when a contribution must be made if it is to be applied against the lifetime CGT cap, as the rules vary depending on whether the active asset is owned individually or by a company or trust.
- The paperwork that must be provided to your superannuation fund if you want it to count towards the lifetime CGT cap.

This information is general in nature. It has been prepared without taking into account your objectives, personal or business circumstances, financial situation or needs. Because of this, you should, before acting on this information, consider in consultation with your adviser, its appropriateness, having regard to your objectives, personal or business circumstances, financial situation and needs.