Monthly Information Newsletter – Tax & Super

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Don't overlook the CGT small business roll-over concession

The CGT small business concessions are invaluable to those who make a capital gain from a small business. They can eliminate a gain entirely; they can reduce a gain; and they can allow for the gain to be CGT-free if paid into a superannuation fund.

But it is often forgotten that the gain can also be rolled over.

And this concession can be very useful depending on your circumstances and business intentions, especially where it may be used in conjunction with the other CGT small business concessions.

Broadly, this roll-over concession allows you to roll-over a capital gain if a "replacement asset" is acquired within the 2-year "replacement asset period".

However, the rolled over gain will be reinstated if the amount of the capital gain is not expended on acquiring a replacement asset within this time period. In this way, the roll-over offers a 2-year deferral of the assessment and taxation of the capital gain.

But apart from the advantage of the 2-year deferral (which will also give you time to think about what to do with the money and whether to go back into business), the reinstated gain is eligible for the retirement concession – which allows you to take a capital gain of up to $500,000 tax-free if you are 55 or over, or otherwise requires you to pay the gain into your super fund.

Moreover, the 2-year deferral may allow you to access this concession in the most advantageous way – namely, when you are aged 55 years or over!

Likewise, a capital gain will be reinstated if a replacement asset is acquired, but after the 2-year period, it ceases to be used as a business asset (eg it is sold or taken for private use).

In this case the reinstated gain is also entitled to the retirement concession. But additionally it is also entitled to be rolled over again, which can be invaluable to a small business owner in a range of circumstances (even to the extent of continually rolling over the gain until retirement).

For example, say you make a capital gain from selling your gym business. This capital gain can be rolled over by acquiring new equipment in other gyms you own. And each time these wear out and are disposed of, the capital gain reinstated can be used to acquire replacement equipment. This can be done continuously until you reach retirement and then finally crystalise the reinstated gain.

Of course, like all areas of tax, it is an area which requires the considered advice of a taxation professional – especially in relation to any tax planning opportunities!