



How The Small Business CGT Concessions Could Boost Your Super

If you're a small business owner gearing up for retirement, selling your business can be a strategic move to give your nest egg that final boost.

However, navigating the intricacies of selling a business requires careful consideration, especially when it comes to contributing the sale proceeds to your superannuation fund. Let's explore essential considerations and small business concessions that can significantly impact your retirement savings.

Remember: always consult with a trusted and licensed adviser before acting.

When selling a business or business asset, small business owners have the opportunity to contribute a substantial portion of the sale proceeds to their superannuation fund without breaching the super caps. To make this work effectively, it's crucial to understand and leverage four small business concessions that can help minimize capital gains tax (CGT) implications.

The 15-Year Exemption

The 15-year exemption is the most valuable concession, allowing superannuation contributions beyond the usual caps (generally as a non-concessional contribution).

However, the contribution must be made on or before the later of:

- the day you lodge your income tax return for the income year in which the relevant CGT event happened
- 30 days after you received capital proceeds.

If you receive a 15-year exemption amount from a company or trust, the contribution must be made within 30 days after the entity made the payment to you.

If you've owned the business asset for more than 15 consecutive years, are over 55, and are selling in connection with retirement or due to permanent incapacitation, you may qualify.

This exemption provides a complete CGT exemption on the business sale, enabling you to contribute the full sale proceeds to superannuation.

The 50% Reduction

The 50% active asset reduction is an additional benefit, providing an extra 50% reduction of the capital gain on top of the standard 50% CGT discount available for individuals. This concession further enhances your ability to maximise your retirement savings when selling your small business.

You need to meet the basic eligibility conditions common to all 4 small business CGT concessions. This concession is applied automatically, unless you elect for it to not apply.

Retirement Exemption

The retirement exemption allows for a \$500,000 reduction in the assessable capital gain. While this is a lifetime limit for each individual, it offers flexibility for those under 55 to pay the amount into superannuation or, for those over 55, the option to keep the amount outside superannuation.

Small Business Roll-Over

The small business roll-over permits the deferral of capital gains by rolling them into another active business asset. Utilising the retirement exemption in this context allows for a two-year deferral to contribute to superannuation or reach the age of 55. This strategic move enables small business owners to contribute to superannuation on a sale that may not have been possible otherwise.

Other Considerations and Strategies

While these concessions primarily apply to capital gains, it's crucial to consider other factors, such as the sale of plant and equipment or trading stock, which fall under different tax sections. Additionally, the timing of the sale and the relevant contribution dates for concessions should be carefully considered.

Beyond small business CGT concessions, there are alternative strategies to boost superannuation, such as bringing forward non-concessional contributions or carrying back concessional contributions. These methods provide additional avenues for enhancing retirement savings, subject to eligibility criteria.

Selling your small business as part of your retirement strategy can be a wise move, but it requires careful planning and consideration of available concessions.

Engaging with experienced advisers early in the sale process is essential to maximise the benefits of these concessions and ensure a seamless transition into retirement.

By leveraging these strategies and consulting with knowledgeable professionals, you can make that final boost to your nest egg and embark on a secure and comfortable retirement journey.

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