

Understanding CGT and Death in relation to Small Business Assets



Dealing with the passing of a loved one is challenging and understanding the tax implications adds another layer of complexity. As accountants, it's essential for us to guide you through these tough times, particularly regarding the Capital Gains Tax (CGT) and its implications on deceased estates.

A part of the asset pool that forms a deceased estate may be **small business-related assets**.

Assets may be decided upon by the beneficiaries to be sold and 'cashed in' as their function is no longer necessary or required. This may be the case for farm land, a shed or another form of business premises.

Generally, when an asset is sold, CGT will be applicable to the gain made, i.e the proceeds from the sale less the cost of the asset. In most cases these gains can be quite substantial as the ownership period of the deceased could be quite lengthy. This could result in the beneficiaries of the estate paying a significant amount of tax, reducing the inheritance they would receive.

However, if the assets sold are deemed to be assets that were previously used in a small business, there could be some concessions available that could reduce the potentially substantial tax liability.

One crucial consideration is the time frame of the disposal of the asset. Settlement of the asset must occur within two years of the date of death for the estate/beneficiaries to remain eligible to access the concessions. The Commissioner has discretion to extend this period in certain circumstances.

We understand that immediately following the death of a loved one, the last thing family members want to worry about is remembering to dispose of assets before certain dates and whether there are any tax implications. This is where accountants experienced in estates can come in and take the burden off your hands and guide you through the process, along with the solicitors.

Navigating the intricacies of CGT in the event of death is complex but crucial for ensuring fair and compliant tax treatment. As accountants, our role is to provide clarity and guidance during these challenging times.

Small Business CGT Concession Eligibility

In the normal course of business, assets are deemed to be eligible for the small business CGT concessions if the following apply:

1. The business and its connected entities have an annual turnover of less than \$2 million; or the total net value of CGT assets owned by you, entities connected with you, affiliates and entities connected with your affiliates don't exceed \$6 million.
2. The asset is deemed to be an active asset
3. Further tests apply if the asset was held originally in a trust or company.

If these tests are satisfied, the legal personal representative or beneficiary of a deceased estate can access the Small Business CGT Concessions to the same extent as the deceased.

These concessions include the 15-year exemption, 50% active asset reduction, retirement exemption and rollover provisions.

Please contact our office on (03) 5330 7200 or email info@mulcahy.com.au if you would like to discuss the above in further detail.

Are You Financially Secure?



MULCAHY & CO



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Our 12 Steps to Success

FS360 - What does being *financially secure* mean?

It means assessing your personal and business goals and developing a plan to achieve these.

We have identified 12 key areas to help you become financially secure:

1. Goals & Objectives

2. Estate Plan

3. Risk Plan

4. Asset Protection Plan

5. Taxation Plan

6. Debt Plan

7. Retirement and Succession Plan

8. Business Plan

9. I.T. Plan

10. Marketing Plan

11. Superannuation Plan

12. Investment Plan

12 Steps to becoming Financially Secure

1. Goals & Objectives

Picture yourself in 10 years time... Where do you want to be? How are you going to get there? Being clear on your goals & objectives ensures you can develop a strategy to achieve them.

2. Estate Plan

"What will happen when I'm gone?" Only assets owned in your name are covered by your will. Your Estate Plan protects your family from the potential threats that your Will does not.

3. Risk Plan

Your Risk Plan addresses whether you need to save or insure to protect your family's financial security in the event of an injury, accident or death.

4. Asset Protection Plan

An Asset Protection Plan makes sure your assets are owned in the right names or entities so you limit the risk of them being exposed to creditors.

5. Taxation Plan

A Taxation Plan structures your affairs so that you legally pay the least amount of tax and retain more of your income.

6. Debt Plan

A Debt Plan ensures your assets aren't over exposed to debt and structures your debt to maximise tax deductibility of the interest.

7. Retirement Plan

Retirement is setting the date when you can choose to stop work. Your Retirement Plan details the income and assets you need (in addition to superannuation) to retire and outlines the steps to get there.



8. Business Plan

Your business value is the one asset or investment that you have full control over. How does the business cashflow, profitability and end value fit with your overall plan? Review the 10 characteristics of what makes a great business to help your business reach its full potential.

9. I.T. Plan

Your data, your email, your devices – they play a key role in the smooth running of your business. Backups, workflow and ongoing maintenance of technology can be a game changer.

10. Marketing Plan

Promoting your business to potential clients has many working parts. Generating enquiry and building your brand is key to your business success.

11. Superannuation Plan

Many people miss out on the enormous tax benefits of superannuation. A Superannuation Plan will ensure you have a strategy to produce greater wealth at retirement.

12. Investment Plan

An Investment Plan will increase your asset base, while focusing on preserving your capital and managing your risks, to meet your personal and financial goals. We offer a free no obligation meeting to review your situation.

Call us today on 03 5021 1968 and take advantage of this valuable offer.