

SUBMISSION FOR TAXATION REVIEW

Small Business CGT Concessions

The present Small Business CGT Concessions are presently too restrictive in their allowable application, denying many small business owners with what the ATO calls “passive assets” from participating in the CGT relief.

Many small business owners have established portfolios of commercial property which are leased out to businesses as part of a property management business.

These small business owners have in many cases operated these property management businesses for in excess of 15 years, yet they are prevented from benefiting from the Small Business CGT Concessions due to the ATO classifying their business property as “passive assets”.

In many cases these small business owners have established and operated their property management businesses for the purpose of providing both a pre-retirement and post-retirement income.

As retirement approaches many small business owners transfer business assets to self managed superannuation funds, in the process making use of the Small Business CGT Concessions, which encourage the tax effective transfer of business assets to superannuation for the purpose of providing retirement income.

It is inequitable that the Small Business CGT Concessions apply only to what the ATO terms “active assets” and not to what it terms “passive assets”.

This inequitable application creates two classes of small business owners – one class with “active assets” that can claim the Small Business CGT Concessions and one class with “passive assets” that cannot.

With the undoubted need for as many as possible retirees to be self-funded, there is a need to relax the present restrictions on the application of the Small Business CGT Concessions so that they apply more equitably to all small business owners. This will boost the retirement savings accounts of many small business retirees presently excluded from the Small Business CGT Concessions, thus decreasing the drain on the public purse.

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