

Goodbye CGT Concessions?

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It is a badly kept secret that the bureaucrats in Canberra are looking at the most palatable ways of getting rid of the various CGT concessions (particularly the 50% discount), and especially for larger transactions/sales of companies and businesses.

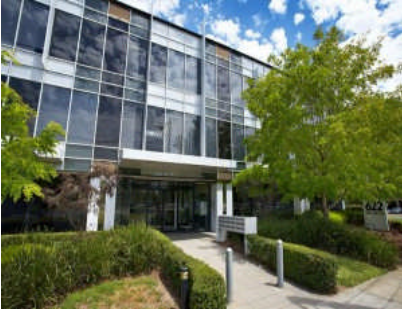
And it's no wonder - whilst there are some pretty rough and ready numbers being thrown around internally, it seems to be generally accepted that by scrapping the concessions on transactions over say \$1 million, an extra \$10 billion plus of tax revenue could be raised over the next 3-5 years. This is a big boost for a government struggling to find ways to cut the ballooning deficit without raising the GST.

Apparently the Departments of Treasury and Finance have put this to both Labor and Liberal governments and both believe it to be a good idea but timing was always the problem. A Labor government couldn't do it coming into the last election. Abbott's government in the lower house is not

a problem but his dilemma will be whether to do a deal with Labor in the Senate before the new Senate comes in mid-next year, or wait and try to do a trade-off with Clive Palmer and friends (say for the Mining Tax?).

One thing is fairly certain - when they do remove the concessions, they will do it gradually. The most practical way (whilst still achieving revenue objectives) is to bring it in immediately for all transactions valued at over \$6 million and phase it in for the smaller deals over say 3 years. It can't be 'grandfathered'* either because that would produce next to nothing in the way of revenue for many years. When it comes in, it will almost certainly apply to all transactions from that date.

As one of Australia's most senior public servants told Menroc recently, the removal of the 50% discount on larger deals is a certainty because it will have virtually no effect on either party. It predominantly only effects business owners who have done well, and across Australia it probably will only hit less than 20,000 people.



There is unlikely to be any public discussion about it because as soon as word gets out, the market will be inundated with businesses for sale. Business owners and their advisers should consider the effects of the removal of CGT concessions sooner rather than later and incorporate it into their strategic planning so as not to be caught out by a sudden government announcement.

** "Grandfathering" refers to the exemption of any changes to the current owners of a business.*

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