

# SBCs and Superannuation

## Table of Contents

---

## Table of Contents

Introduction	8
<b>A. Suggested roadmap for approaching the SBCs and superannuation</b>	<b>9</b>
A.1 Roadmap – Taxpayers selling an active asset	<b>9</b>
A.2 Planning ahead	11
<b>1. The Small Business CGT Concessions – what are they?</b>	<b>13</b>
<b>2. The basic conditions</b>	<b>14</b>
2.1 Introduction	14
2.2 <b>Scenario 1 – Business entity is selling the assets</b>	<b>15</b>
2.2.1 Scenario 1 – When will the taxpayer be a ‘CGT small business entity’?	15
2.2.2 Scenario 1 – When will the business entity satisfy the \$6 million net asset value test?	19
2.2.3 Scenario 1 – maximum net asset value test or the CGT small business entity test – which is better?	22
2.2.4 Scenario 1 – Applying the ‘active test’ to the business entity	23
2.3 <b>Scenario 2 – Passive entity is selling active assets</b>	<b>30</b>
2.3.1 Scenario 2 – Passive entities and the CGT small business entity test	31
2.3.2 Scenario 2 – Passive entities and the maximum net asset value test	35
2.3.3 <u>Scenario 2</u> – Applying the ‘active test’ to a passive entity	36
2.4 <b>Scenario 3 – The taxpayer is selling shares or units in a company or trust</b>	<b>37</b>
2.4.1 <u>Scenario 3</u> – Changes to the additional basic conditions – sale of share or trust interests	39
<b>3. Work out the order in which the concessions apply</b>	<b>49</b>

# SBCs and Superannuation

## Table of Contents

---

<b>4. Applying the small business CGT concessions</b>	<b>51</b>
<b>4.1 <u>15-year exemption</u> – what are the eligibility requirements?</b>	<b>51</b>
4.1.1 <u>15-year exemption</u> – meaning of in ‘connection with retirement’	54
4.1.2 15-year exemption – Meaning of ‘permanent incapacity’	55
4.1.3 <u>15-year exemption</u> – Distributing the exempt amount from a company or unit trust	56
<b>4.2 <u>50% active asset reduction</u> – what are the eligibility requirements?</b>	<b>60</b>
<b>4.3 <u>Retirement exemption</u> – what are the eligibility requirements?</b>	<b>61</b>
4.3.1 <u>Retirement exemption</u> – eligibility requirements for an individual	62
4.3.2 <u>Retirement exemption</u> – planning points to note about the exemption (individuals)	64
4.3.3 <u>Retirement exemption</u> – eligibility requirements for a company or trust	66
4.3.4 <u>Retirement exemption</u> – planning points to note about the exemption (companies and trusts)	69
<b>4.4 <u>Small business rollover</u> – what are the eligibility requirements?</b>	<b>71</b>
4.4.1 <u>Small business rollover</u> – What are the consequences of choosing to apply the rollover?	72
4.4.2 <u>Small business rollover</u> – What assets and expenditure qualifies as a replacement?	73
4.4.3 <u>Small business rollover</u> – What happens if insufficient expenditure is incurred or no asset is acquired in the two-year replacement period?	74
4.4.4 <u>Small business rollover</u> – What happens if the asset changes after the replacement asset has expired?	77
<b>5. Understanding the CGT Cap</b>	<b>80</b>
<b>5.1 Overview</b>	<b>80</b>
<b>5.2 General characteristics of the CGT cap</b>	<b>81</b>
<b>5.3 Differences between the non-concessional contributions cap and the CGT cap</b>	<b>82</b>

# SBCs and Superannuation

## Table of Contents

---

<b>5.4 Contributing to superannuation using the CGT Cap – 15-year exemption (individuals)</b>	83
5.4.1 Requirements to be satisfied under S.292-100 (CGT cap) for <u>individuals</u> applying the 15-year exemption	84
<b>5.5 Requirements to be satisfied under S.292-100 (CGT cap) for companies or trusts applying the 15-year exemption</b>	86
5.5.1 Contributing the <u>proceeds</u> from the 15-year exemption to superannuation where the exempt payment from a company or trust is a <u>lower</u> amount	90
<b>5.6 Table – summary of time limits under the CGT cap (15-year exemption)</b>	91
<b>5.7 Contributing to superannuation using the CGT Cap – retirement exemption (individuals)</b>	92
5.7.1 Requirements to be satisfied under S.292-100 (CGT cap) for individuals applying the retirement exemption	94
<b>5.8 Contributing to superannuation using the CGT Cap – retirement exemption (<u>companies</u> or <u>trusts</u>)</b>	99
<b>5.9 Table – summary of time limits under the CGT cap (retirement exemption)</b>	102
<b>6. Planning strategies – CGT Cap</b>	105
<b>6.1 General CGT Cap strategies</b>	105
<b>6.2 Work test exemption for individuals with low superannuation balances</b>	107
6.2.1 Work test exemption and CGT Cap contributions	108
<b>6.3 What are some of the differences between the retirement exemption and the 15-year exemption?</b>	109
<b>6.4 CGT Cap planning with the 15-year exemption</b>	111
<b>6.5 CGT Cap planning with the retirement exemption</b>	113
<b>6.6 In specie transfers of property into an SMSF using the 15-year or the retirement exemption</b>	113
6.6.1 <u>ATO informal view</u> – simultaneous in specie contribution using the 15-year exemption and the CGT Cap (individual)	114

# SBCs and Superannuation

## Table of Contents

---

6.6.2	<u>ATO informal view</u> – simultaneous in specie contribution using the retirement exemption and the CGT Cap (individual aged at least 55)	115
6.6.3	<u>ATO informal view</u> – simultaneous in specie contribution from a discretionary trust to beneficiaries and then into the fund	116
6.6.4	<u>ATO informal view</u> – Individual under 55 applying the retirement exemption	118
<b>7.</b>	<b>Practitioner Questions</b>	<b>121</b>
7.1	Basic conditions	121
7.2	15-year exemption	128
7.3	Retirement exemption	136
7.4	Small business rollover	138
	Appendix 1 – The concept of a ‘connected entity’	145
	Appendix 2 – Meaning of ‘affiliate’	147
	Appendix 3 – Meaning of ‘CGT concession stakeholder and ‘significant individual’	152
	Appendix 4 – Death and the small business CGT concessions	155
	Appendix 5 – CGT cap election	157
	Appendix 6 – Sample notice from a company or trust to a superannuation fund (retirement exemption)	160
	Appendix 7 – Record of CGT exempt amount	161