

TD 92/D225 - Income tax: capital gains: how is the 'net value' of a business determined for the purposes of section 160ZZR?

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This document has been finalised by TD 93/2.

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Draft Taxation Determination

Income tax: capital gains: how is the 'net value' of a business determined for the purposes of section 160ZZR?

1. For the purposes of section 160ZZR of the *Income Tax Assessment Act 1936*, 'net value' is a reference to the value of the assets of a business less the amount of liabilities of the business (paragraph 160ZZR(2)(b)).
2. The value of an asset is its market value and not its 'book value'.

Example:

On 1 July 1992, a taxpayer disposes of a business including goodwill.

At the date of disposal, the net assets of the business are recorded in the accounts (based on historical cost) at \$2,200,000. The market value of the business assets is \$2,600,000 while the liabilities of the business amount to \$300,000.

The 'net value' of the business for the purposes of section 160ZZR is taken to be \$2,300,000 i.e. \$2,600,000 less \$300,000.

As the 'net value' exceeds \$2,000,000 (subsection 160ZZR(2)), no relief can be provided by the section in respect of any capital gain accruing to the taxpayer on the disposal of the goodwill.

Commissioner of Taxation

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