


TD 2007/14A2 - Addendum - Income tax: capital gains: small business concessions: what 'liabilities' are included in the calculation of the 'net value of the CGT assets' of an entity in the context of subsection 152-20(1) of the Income Tax Assessment Act 1997?

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Addendum

Taxation Determination

Income tax: capital gains: small business concessions: what 'liabilities' are included in the calculation of the 'net value of the CGT assets' of an entity in the context of subsection 152-20(1) of the *Income Tax Assessment Act 1997*?

This Addendum is a public ruling for the purposes of the *Taxation Administration Act 1953*. It amends Taxation Determination TD 2007/14 to reflect changes in the law as set out below.

For CGT events happening in the 2007-08 income year or later income years

Taxation Laws Amendment (Small Business) Act 2007:

- increased the maximum net asset value test threshold in section 152-15 of the *Income Tax Assessment Act 1997* (ITAA 1997) from \$5 million to \$6 million,
- replaced the term 'small business CGT affiliate' with 'affiliate', moved its definition from section 152-25 of the ITAA 1997 to section 328-130 of the ITAA 1997 and changed its meaning in some respects, and
- enacted the small business entity (\$2 million turnover) test as an alternative to the maximum net asset value test as a means of qualifying for the small business capital gains tax concessions.

TD 2007/14 is amended as follows:

1. Paragraph 5

- (a) In the second column of the calculation, against the item 'Freehold premises in Parramatta', omit '3,500,000'; substitute '4,500,000'.
- (b) In the third column of the calculation against the item 'Freehold premises in Penrith', omit '6,300,000'; substitute '7,300,000' and against the item '**Net value of CGT assets:**' omit '4,800,000'; substitute '5,800,000'.

2. Paragraph 8

In the fourth sentence omit '\$5 million'; substitute '\$6 million'.

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3. Paragraph 11

In the second sentence of the paragraph, omit 'small business CGT'.

4. Paragraph 12

Omit the calculation; substitute:

| | |
|---|-----------------------------|
| <i>Net value of CGT assets of Cassandra</i> | <i>\$1.0m</i> |
| <i>Net value of CGT assets of Fancy Foot Pty Ltd – Studio: (\$6m less \$0.5m)</i> | <i>\$5.5m</i> |
| <i>Net value of CGT assets of Wanadance Pty Ltd – Warehouse: (\$2m less \$2.8m)</i> | <i>(\$0.8m)</i> |
| <i>Total net value of CGT assets:</i> | <u><i>\$5.7m</i></u> |

5. Paragraph 13

In the first sentence omit '\$5 million'; substitute '\$6 million'.

6. Paragraph 15

Omit the paragraph; substitute:

15. To qualify for the small business CGT concessions, at least one of the conditions in paragraph 152-10(1)(c) must be satisfied. One of these conditions is the maximum net asset value test in section 152-15. Under this test, the net value of the CGT assets of the taxpayer and certain related entities must not exceed \$6 million just before the relevant CGT event.

7. Legislative references

Insert:

- ITAA 1997 152-25
- ITAA 1997 328-130
- Taxation Laws Amendment (Small Business) Act 2007

This Addendum applies to CGT events happening in the 2007-08 income year or later income years.

Commissioner of Taxation

15 April 2014

ATO references

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| ATO law topic: | Income Tax ~~ Capital Gains Tax ~~ small business relief - 'maximum net asset value test' Income Tax ~~ Capital Gains Tax ~~ small business relief - basic conditions for relief |
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