



## Money Management

Thursday 13/9/2007

Page: 1

Section: General News

Region: National Circulation: 11,057

Type: Magazines Business

Size: 160.18 sq.cms.

Published: ---T---

# CGT changes alter succession dynamics

By Justin Lim

AXA Australia has rolled out a nationwide awareness campaign to alert its financial advisers to key legislative reforms surrounding Capital Gains Tax (CGT) exemptions – including the succession planning implications within the planning firms.

The reforms have greatly reduced the minimum requirements of who qualifies for CGT concessions and will mean more people are entitled to them.

The succession planning scenario has changed because the 50 per cent controlling individual test has been replaced with a 20 per cent significant individual test, which means more stakeholders qualify.

AXA national manager of technical research Robert Thomas said the changes are not only significant for advisers' clients but also relevant to the advisers themselves.

“Given that succession planning is one of the biggest issues within the financial planning community at present, this is knowledge that all advisers should be up-to-date with,” he said.

“The opportunity to minimise tax will apply to the thousands of small businesses around Australia, so we’re trying to build an awareness of these changes amongst advisers. Whereas advisers were previously largely unconcerned with CGT exemptions because most of their clients were not eligible, now a vast number will meet those requirements.”

According to Thomas, the two biggest changes in the eligibility criteria for the small business CGT concessions

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are an increase in the net asset value test and a reduction to the significant individual test.

“Basically what we’re seeing is a general easing on all fronts. Firstly, starting from 1 July 2007, the threshold for the maximum net asset value test increased from \$5 million to \$6 million, while small business entities with an aggregated annual turnover of less than \$2 million will be completely exempt,” he said.

“Secondly, the 50 per cent controlling individual test has been replaced with a 20 per cent significant individual test, which means more stakeholders



**Robert Thomas**

will qualify.

“You can also reduce any remaining capital gain by up to \$500,000 by using the retirement exemption. In many cases this will mean total CGT exemption, because you can apply these criteria on top of one another,” Thomas said.