
From: Julian Cheng [julian@icaa.org.au]
Sent: Wednesday, 9 March 2005 9:08 AM
To: Joice, Vernon
Subject: Small business CGT concessions - Board of Taxation review

Dear Vernon,

Further to the submission that the ICAA recently lodged with the Board of Taxation on the quality and effectiveness of the small business CGT concessions in Division 152, another issue with the 15-year exemption has come to light.

Taxpayers that enter into franchise agreements as franchisees hold a right to operate the franchise for a period of time, usually more than 15 years. Once the period of time ends, the right is extinguished and a new right can be acquired for a further period of 10 - 20 years.

If a taxpayer that is a franchisee decides to transfer the franchise, the right to operate the franchise will be disposed of for CGT purposes. If a new right had just been acquired, the 15-year exemption will not be available even if the franchise had been operated for longer than that period of time, e.g. the initial right to operate the franchise might have been held for 10 years and the new right to operate the franchise might have been held for only 6 years at the time the franchise is sold.

We would like to submit this issue as an addendum to the submission we lodged.

Please advise if you have any queries in relation to the above.

Regards,

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