

APPORTIONING THE SALE PRICE

Whereas the vendor wants to minimise the allocation to stock, depreciable assets and non-concessional CGT assets, the purchaser wants the opposite. It may be in both their interests that the consideration not be allocated on the contract and instead, allocated independently. From an Income Tax point of view, the allocations need not agree unless the assets are sold to a related party.

Each party should allocate a reasonable amount to each asset ie fair market values. Where the allocation is not reasonable, market value substitution rules and/or Part IVA of the Tax Act may be applied to the transaction.

In some States, Stamp Duty applies to different components of the consideration at differing rates eg Vic – Goodwill and intellectual property are not dutiable property. This may make it necessary for the parties to agree on apportionment of the sale price.

Practices vary from State to State. There is no price apportionment on most Queensland business sale contracts.

Purchasers and vendors should always consult their tax advisers before signing a contract.

Contact Supertrac for more details.