SELLING BUSINESS (PREMISES & GOODWILL)

GST

It is a supply of the premises & goodwill for consideration (a part of the $X): s 9-5(a). It is in the furtherance of their enterprise of [enterprise] as termination is included in carrying on their enterprise: s 195-1 (s 9-5(b)).

[Thus, TP will pay GST reflecting 10% of the value, the value being 10/11ths of the price: $X].
OR
[However, GST-free supplies are not taxable supplies. Here, TP has sold the business as a going concern in compliance with s 38-325(1) GSTA and therefore has made a GST-free supply. TP will not pay GST].

Ordinary Income

The amount attributable to the premises and goodwill not be included in their ordinary income under s 6-5 because it is a lump sum receipt (*Harris*) which is not expected to recur (*Keily*; *Blake*); it is a mere realisation of capital assets: *Ruhamah*.

Capital Gain

The amount received however will be the capital proceeds for a CGT Event. The disposal of these CGT Assets (s 108-5) have given rise to CGT Event A1: s 104-10(1) as soon as ownership was transferred: s 104-10(2) and (3) and it has taken place after 20 Sep 1985: s 104-10(5). Thus the capital proceeds are a part of $X.

The cost base, as shown above, includes $Y under s 110-25.

SELLING TRADING STOCK (SELLING WHOLE BUSINESS)

GST

It is a supply of the stock for consideration (a part of the $X): s 9-5(a), in the furtherance of their enterprise of [enterprise] as termination is included in carrying on their enterprise: s 195-1 (s 9-5(b)).

[Thus, TP will pay GST reflecting 10% of the value, the value being 10/11ths of the price: $X].
OR
[However, GST-free supplies are not taxable supplies. Here, TP has sold the business as a going concern in compliance with s 38-325(1) GSTA and therefore has made a GST-free supply. TP will not pay GST].

Ordinary Income

The sale of trading stock will be included in his ordinary income under s 6-5 as the sale of trading stock is considered to be a part of the ordinary proceeds of business; the amount included will be the market value as it is sold outside the ordinary course of business (the actual business itself is being sold): s 70-90; s 70-95. Any GST amounts TP pays will be subtracted here: s 17-5.

Capital Gain

Trading stock is exempt from CGT: s 118-25.

ACCOUNTING FOR TRADING STOCK

Per s 70-35(1), TP must compare the value of their trading stock on hand (i.e. they have the power to dispose of it per *Farnsworth*) at the start of the income year and end. Here, it appears the closing stock exceeds the value of the opening stock, so TP must include the excess in their assessable income: s 70-35(2).

Here the opening stock is X and the closing stock is Y. ITCs must be stripped out of these amounts: s 70-45(1A). Y > X by (Y – X). Thus $(Y – X) must be included in their assessable income: s 70-35(2).