

# Selling a business post-COVID-19

## What do business owners need to consider before selling, for the supply of a going concern to be characterised as GST-free?

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COVID-19 restrictions have led to adverse trading conditions, causing some businesses to temporarily close or downsize their operations

These range from the small CBD coffee cart in the office foyer, through to huge airlines suspending some routes.

Not all these businesses will reopen, and it is expected that many will end up being put on the market.

Implicitly, the expression “going concern” factors in more than just the mere sale of business assets.

Explicitly, the GST law requires that the vendor:

- continues with enterprise operations until the day of supply; and
- supplies all things necessary for the continued operation of the enterprise.

In ruling GSTR 2002/5, the ATO has accepted that the temporary suspension of the enterprise does not disqualify the business being sold as a going concern.

However, it is critical that the enterprise can continue after the transfer of ownership, despite the purchaser not needing to continue to carry on the enterprise.

Business owners weighing up whether to resume operations or to sell the business need to be mindful of the affect their decision has on whether the business can be sold as a GST-free going concern.

For example, the following actions can adversely affect eligibility:

- Changing from property development, by cancelling off-the-plan sales, and instead selling the entire vacant lot
- Selling an office building or factory on terms such as vacant possession
- Surrendering any statutory permits or licenses
- Selling plant and equipment.

It is strongly recommended that when weighing up options, business owners consider the implications of their actions on GST and taxation more generally.

### How can ShineWing Australia assist?

Our tax experts can assist business owners to make informed decisions that factor in the whole picture, and result in the most beneficial tax outcome possible.

Reach out to our team to discuss today.



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