

EXPOSURE DRAFT

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Inserts for
**Tax and Superannuation Laws
Amendment (2014 Measures No. 2) Bill
2014: Preventing distribution washing**

Commencement information

| Column 1 | Column 2 | Column 3 |
|---|---|---------------------|
| Provision(s) | Commencement | Date/Details |
| 1. Schedule #— Preventing distribution washing | The day this Act receives the Royal Assent. | |

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Schedule #—Preventing distribution washing

Income Tax Assessment Act 1997

1 After paragraph 207-145(1)(d)

Insert:

- (da) the distribution is one to which section 207-157 (which is about distribution washing) applies;

2 After paragraph 207-150(1)(e)

Insert:

- (ea) the distribution is one to which section 207-157 (which is about distribution washing) applies;

3 After section 207-155

Insert:

207-157 Distribution washing

- (1) This section applies to a *franked distribution received by a *member of a *corporate tax entity on a *membership interest (the *washed interest*) if:
- (a) the washed interest was acquired after the member, or a *connected entity of the member, disposed of a substantially identical membership interest; and
 - (b) a corresponding franked distribution is made to the member, or the connected entity, on the substantially identical interest.

Substantially identical interests

- (2) Without limiting paragraph (1)(a), for the purpose of that paragraph a *membership interest is substantially identical to the washed interest if it is any one or more of the following:
- (a) fungible with, or economically equivalent to, the washed interest;
 - (b) a membership interest in the same *corporate tax entity as the washed interest and of a class that is the same as, or not materially different from, the washed interest;

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- 1 (c) a membership interest in the same corporate tax entity as the
2 washed interest and of a class that is exchangeable at a fixed
3 rate for an interest of the same class as the washed interest;
4 (d) a membership interest in another corporate tax entity that
5 holds predominantly membership interests that are covered
6 by any of the preceding paragraphs;
7 (e) a membership interest in another corporate tax entity that is
8 exchangeable at a fixed rate for interests that are covered by
9 any one or more of paragraphs (a) to (c).

10 *Exception for individuals who are small holders*

- 11 (3) However, this section does not apply to a *franked distribution
12 made to an individual in an income year if the sum of the *tax
13 offsets to which the individual would be entitled, worked out on
14 the basis mentioned in subsection (4), is \$5000 or less.
- 15 (4) Work out the sum of the *tax offsets:
16 (a) disregarding this Subdivision, to the extent it applies to the
17 individual; and
18 (b) not disregarding this Subdivision, to the extent it applies to
19 any other entity through which a *franked distribution *flows
20 indirectly to the individual.

21 **4 Application**

22 The amendments made by this Schedule apply to distributions made on
23 or after 1 July 2013.

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