

EXPOSURE DRAFT

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Inserts for
**Tax and Superannuation Laws
Amendment (2015 Measures No. 3) Bill
2015: scrip for scrip roll-over**

Commencement information

Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. Schedule S	The day this Act receives the Royal Assent.	
2.		
3.		

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Schedule S—Scrip for scrip roll-over

Income Tax Assessment Act 1997

1 Subsection 104-25(5) (note 4)

Repeal the note.

2 Section 112-53 (table item 2, column headed “In this situation:”)

Omit “an ultimate holding company under that arrangement from a member of its wholly-owned”, substitute “a member of a wholly-owned group under that arrangement from another member of the”.

3 Paragraph 124-780(3)(d)

Omit “arrangement”, substitute “*arrangement”.

4 At the end of subsection 124-780(3)

Add:

; and (f) if an acquiring entity is a member of a wholly-owned group—no member of the group issues equity (other than a replacement interest), or owes new debt, under the arrangement to an entity that is not a member of the group.

5 Subparagraphs 124-781(1)(a)(i) and (ii)

After “*acquiring entity*”, insert “and the *replacement entity*”.

6 Subsection 124-782(1) (note 2)

Omit “an ultimate holding company by an acquiring entity”, substitute “a member of an acquiring wholly-owned group by another member of the group”.

7 Subsections 124-783(9) and (10)

Omit “acquiring entity” (wherever occurring), substitute “replacement entity”.

8 Section 124-784

Repeal the section, substitute:

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124-783A Options, rights or similar interests that affect stakes

- 1
2 (1) An entity has a *significant stake* in another entity if:
3 (a) the first entity has one or more *stake options in the other
4 entity; and
5 (b) the first entity would have such a stake (under
6 section 124-783) if the first entity acquired *stake interests in
7 the other entity under any of those stake options.
- 8 (2) An entity, or 2 or more entities, have a *common stake* in the
9 original entity just before the *arrangement started and in the
10 replacement entity just after the arrangement was completed if:
11 (a) the entities:
12 (i) had one or more *stake options in the original entity
13 before the arrangement started; or
14 (ii) have one or more stake options in the replacement
15 entity; and
16 (b) the entities would have such stakes (under section 124-783)
17 if:
18 (i) the entities had acquired *stake interests in the original
19 entity under any of the stake options mentioned in
20 subparagraph (a)(i); or
21 (ii) the entities acquired stake interests in the replacement
22 entity under some or all of the stake options mentioned
23 in subparagraph (a)(ii).
- 24 (3) Something is a *stake option* an entity has in another entity if it
25 gives the first entity, or its *associates, a right to acquire the
26 following (*stake interests*):
27 (a) if the other entity is a company:
28 (i) voting rights in the company; or
29 (ii) the right to receive any part of any *dividends that the
30 company may pay; or
31 (iii) the right to receive any part of any distribution of capital
32 of the company; or
33 (b) if the other entity is a trust—the right to receive any part of
34 any distribution to beneficiaries of the trust of income or
35 capital of the trust;
36 and the acquisition could occur before the end of 5 years after the
37 *arrangement was completed.
38 Example: An option.
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1 (4) For the purposes of subsection (1), treat the reference in
2 subparagraph (3)(a)(i) to voting rights as being a reference to
3 *shares carrying voting rights.

4 (5) This section does not limit subsections 124-783(6) to (10).

5 **124-784 Cost base of equity or debt given within acquiring group**

6 *Purpose*

7 (1) This section allocates an appropriate *cost base to equity issued, or
8 new debt owed, under the *arrangement, by a member of a
9 *wholly-owned group to another member (the *recipient*) of the
10 group, if:

- 11 (a) the acquiring entity is a member of the group; and
12 (b) the cost base of an original interest was transferred or
13 allocated under section 124-782 because the original interest
14 holder is a *significant stakeholder or a *common stakeholder
15 for the arrangement.

16 *Allocation of cost base*

17 (2) The first element of the *cost base of the equity or debt for the
18 recipient is that part of the cost base of the original interest
19 transferred or allocated under section 124-782 as:

- 20 (a) may be reasonably allocated to the equity or debt; and
21 (b) is not more than the *market value of the equity or debt just
22 after the *arrangement was completed.

23 **9 Subparagraph 124-784A(1)(a)(i)**

24 After “section 124-780”, insert “or 124-781”.

25 **10 Subsection 124-784A(2) (method statement, step 3)**

26 Repeal the step, substitute:

27 Step 3. Add up the *market value at the completion time of all of
28 the:

- 29 (a) if the replacement entity is a company—*shares
30 *on issue by the replacement entity; and

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- (b) if the replacement entity is a company—options, rights and similar interests issued by the replacement entity that give the holder an entitlement to acquire a share in the replacement entity at or after the completion time; and
- (c) if the replacement entity is a trust—units or other interests in the replacement entity; and
- (d) if the replacement entity is a trust—options, rights or similar interests issued by the replacement entity that gives the holder an entitlement to acquire a unit or other interest in the replacement entity at or after the completion time.

13 **11 Section 124-784C**

14 Repeal the section, substitute:

15 **124-784C Cost base of equity or debt given within acquiring group**

16 *Purpose*

- 17 (1) This section allocates an appropriate *cost base to equity issued, or
18 new debt owed, under the *arrangement by a member of a
19 *wholly-owned group to another member (the *holder*) of the group,
20 if:
21 (a) an acquiring entity is a member of the group; and
22 (b) the cost base of the acquiring entity for a qualifying interest
23 was worked out under section 124-784B.

24 *Allocation of cost base*

- 25 (2) The first element of the *cost base of the equity or debt for the
26 holder is that part of the cost base of the qualifying interest worked
27 out under section 124-784B as:
28 (a) may be reasonably allocated to the equity or debt; and
29 (b) is not more than the *market value of the equity or debt at the
30 completion time.

31 **12 Subsection 995-1(1) (definition of *common stake*)**

32 Omit “section 124-783”, substitute “sections 124-783 and 124-783A”.

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1 **13 Subsection 995-1(1) (definition of *significant stake*)**

2 Omit “section 124-783”, substitute “sections 124-783 and 124-783A”.

3 **14 Subsection 995-1(1)**

4 Insert:

5 *stake interest* has the meaning given by subsection 124-783A(3).

6 *stake option* has the meaning given by subsection 124-783A(3).

7 **15 Application of amendments**

8 The amendments made by this Schedule apply in relation CGT events
9 happening after 7.30 pm, by legal time in the Australian Capital
10 Territory, on 8 May 2012.

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