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To: Tax Law Design
Subject: Small Business restructure rollover

Hi

Working through the ED for the new roll-over I was wondering how it could work when there is a company as transferee – as you are going to have a Div 7A deemed dividend if you transfer assets from a company for no consideration.

Then I saw example 1.1 in the EM. The roll-over may work, but it is pretty useless when you have a deemed dividend to Jack and Jill of \$45,000.

That is, even if there are no other assets left behind (which is just not reflecting reality), under the definition of distributable surplus, there will be a surplus of \$45,000

So unless you carve out such transfers from Div 7A, the roll-over will be illusory for companies as transferors

Thanks

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