

Systems and staff

Key points

Depending on your circumstances, you may need to devote a specialist team to the task of becoming consolidated.

You may require changes to your information systems so they deliver the records required by the Tax Office when operating as a consolidated group – particularly records of asset valuations and the nature and source of all losses carried forward.

To implement consolidation, the group needs to undertake a number of change processes. The extent of the changes depends on the size, structure and complexity of the business and its existing financial and business systems. As a guide, all groups implementing the choice to consolidate should consider the following points:

- the need for an implementation strategy, including a project plan, budgets and project team
- developing and implementing changes to financial, accounting and record keeping systems → 'Record keeping guidelines and checklist', C9-2
- the time it will take to implement the move to a consolidated income tax system
- training and skilling of staff
- the need to gather historical asset cost base information
- the need to plan and implement changes to the group structure
- the approach to be taken to determining asset values, including the use of transitional options, and
- the need to determine the consolidated income tax position for attributes such as losses and franking credits.

Note

Reporting instalment income

For the head company to pay the group's quarterly PAYG instalments on time, it is important that subsidiary members of the group are prepared to report their contribution to the head company's instalment income shortly after the end of the head company's quarter.

If a subsidiary member has a different quarterly cycle to that of the head company, it may need to adjust its systems to be able to provide quarterly instalment income information according to the head company's quarterly cycle.

Business information to collect

Implementation of consolidation may require collection of records such as:

- market value of assets of a joining entity at the joining time
- market value of assets at the time membership interests were acquired
- CGT cost bases at the joining time
- opening trading stock values or purchase prices for trading stock on hand at the joining time
- adjustable values for depreciating assets at the joining time
- value of all liabilities of a joining entity that may be recognised by the Australian Accounting Standards or Statements of Accounting Concepts
- market value of a joining entity, and
- market value of the joined group.

→ 'Record keeping guidelines and checklist', C9-2

Note

Substituted accounting periods (SAPs)

Following a choice to consolidate, the head company continues to use its usual accounting period (which may be a substituted accounting period, or SAP). Where there is a change in head company in a MEC group, the replacement head company uses the same accounting period as the former head company.