

Entry ACA worksheet

This worksheet can be used where all of the entities forming a consolidated group during the transitional period are non-chosen transitional entities – that is, where the cost setting rules are applied to all subsidiaries.

Step 1: Add up the cost of each membership interest – section 705-65, *Income Tax Assessment Act 1997* (ITAA 1997)

	\$	\$	\$	\$
	Interest 1	Interest 2	Interest 3	
P Cost base (CB) at the joining time or formation time (JT) (Note: cost of pre-CGT interests not indexed)	<input type="text"/>	<input type="text"/>	<input type="text"/>	
Q Reduced cost base (RCB) at JT (ignoring reductions for rebatable dividends: section 160ZK(5), ITAA 1936 / section 110-55(7), ITAA 1997, and adding back any adjustments under section 165-115ZA(3), ITAA 1997 to the extent the relevant losses will reduce the ACA under steps 5 & 6)	<input type="text"/>	<input type="text"/>	<input type="text"/>	
R CB (line P) as adjusted for value shifting or loss transfer	<input type="text"/>	<input type="text"/>	<input type="text"/>	
S RCB (line Q) as adjusted for value shifting or loss transfer, or section 165-115ZD, ITAA 1997	<input type="text"/>	<input type="text"/>	<input type="text"/>	
T Market value (MV)	<input type="text"/>	<input type="text"/>	<input type="text"/>	
Tests If MV (line T) \geq adjusted CB (line R), use line R If MV (line T) \leq adjusted RCB (line S), use line S If adjusted RCB (line S) < MV (line T) < adjusted CB (line R), use line T				
Sum is entry ACA step 1 result	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Step 2: Add accounting liabilities and other things

	\$ Liability 1	\$ Liability 2	\$ Subtotals	\$ bfwd
				<input type="text"/>
<u>Accounting liabilities</u> (sections 705-70 to 705-80, ITAA 1997)				
<i>Start with</i> statement of financial position	<input type="text"/>	<input type="text"/>		
Reduce where liability valued differently for group	<input type="text"/>	<input type="text"/>		
Reduce to \$nil if attached to an asset	<input type="text"/>	<input type="text"/>		
Reduce for future income tax deductions	<input type="text"/>	<input type="text"/>		
Reduce for intra-group debt (add back reductions under section 165-115ZA(3), ITAA 1997 before comparison)	<input type="text"/>	<input type="text"/>		
Adjust for unrealised gains or losses	<input type="text"/>	<input type="text"/>		
Sum of reduced or adjusted liabilities	<input type="text"/>	<input type="text"/>	<input type="text"/>	
<u>Add for employee shares</u> (section 705-85, ITAA 1997)				
Market value of disregarded employee shares		<input type="text"/>		
Reduce by reduction amount		<input type="text"/>	<input type="text"/>	
<u>Add market value of rights or options held by third parties</u> (section 705-85)			<input type="text"/>	
<u>Add equity for accounting but debt for tax purposes</u>				
MV of equity being debt under debt/equity rules			<input type="text"/>	
<u>Result</u> sum of the subtotals				<input type="text"/>
Entry ACA result after step 2				<input type="text"/>

Step 3: Add undistributed profits accrued to the group (section 705-90, ITAA 1997)

	\$	\$	\$ b fwd
			<input type="text"/>
<u>Ongoing rule</u> (section 705-90)			
Undistributed <i>frankable</i> profits accrued to group at the JT	<input type="text"/>		
<u>Transitional rule</u> (applies to non-chosen transitional entities where group has formed before 1 July 2003)			
Undistributed <i>unfrankable</i> profits accrued to group at JT		<input type="text"/>	
Add the sum of these net amounts			<input type="text"/>
Entry ACA result after step 3			<input type="text"/>

Step 3A: Adjust for prior CGT rollovers from a foreign-resident company (sections 705-93, 705-147 & 705-227, ITAA 1997)

	\$	\$
Adjust for previous rollovers from a foreign-resident company under Subdivision 126-B or section 160ZZO, ITAA 1936		\$ b fwd
		<input type="text"/>
<u>Adjustment</u>		
Start with rollover adjustments that increase the ACA	<input type="text"/>	
Subtract rollover adjustments that decrease the ACA	<input type="text"/>	
Add the net amount if positive/subtract if negative	<input type="text"/>	<input type="text"/>
Entry ACA adjusted result after step 3A		<input type="text"/>

Adjustment to result after step 3A: adjust for prior CGT rollovers (section 705-150, ITAA 1997)

	\$	\$
<u>Formation case only</u> adjust for previous rollovers under Subdivision 126-B or under section 160ZZO, ITAA 1936		\$ b fwd
		<input type="text"/>
<u>Adjustment</u>		
Start with rollover adjustments that increase the ACA	<input type="text"/>	
Subtract rollover adjustments that decrease the ACA	<input type="text"/>	
Add the net amount if positive/subtract if negative	<input type="text"/>	<input type="text"/>
Entry ACA adjusted result after step 3A		<input type="text"/>

Step 4: Subtract certain distributions and certain undistributed profits (section 705-95, ITAA 1997)

	\$	\$
		b fwd
		<input type="text"/>
Subtract all of the following		
A Distributions from profits that did not accrue to group	<input type="text"/>	
B Distributions from profits that accrued to the group to the extent that those profits recouped losses of any sort that accrued to the group before the JT	<input type="text"/>	<input type="text"/>
Formation rule Do not count subsequent distributions of profits adjusted at ACA step 4 for the entity below that actually made the profits from which the first distribution up the chain was made (just count in the first entity making the profit): section 705-155, ITAA 1997		
Entry ACA result after step 4		<input type="text"/>

Step 5: Subtract unused losses that accrued to the group (section 705-100, ITAA 1997)

	\$	\$
		b fwd
		<input type="text"/>
Subtract all unused losses of any sort that accrued to the group (including losses that cannot be transferred to the head company) before the JT	<input type="text"/>	
<i>/ess</i> those amounts to the extent that they reduced the undistributed profits from an earlier year that would otherwise have been included in the step 3 amount (to avoid double counting)	<input type="text"/>	<input type="text"/>
Entry ACA result after step 5		<input type="text"/>

Step 6: Subtract for tax benefit from transferred losses not accrued to group (section 705-110, ITAA 1997)

	\$	\$	\$
			b fwd
			<input type="text"/>
Transferred losses of any sort that did not accrue to the group	<input type="text"/>		
<i>/ess</i> those losses to the extent that their transfer has been cancelled	<input type="text"/>	<input type="text"/>	
Multiply by the general company tax rate		30%	<input type="text"/>
Entry ACA result after step 6			<input type="text"/>

Step 7: Subtract inherited deductions (section 705-115, ITAA 1997)

	(<i>other than</i> deductions where expenditure becomes part of, or reduces the cost of the relevant asset or is precluded from becoming part of the cost of the asset because of section 110-40, ITAA 1997, or where the expenditure reduced the amount of step 3 undistributed frankable owned profits)	\$	\$	\$
				bfwd
J	<i>Owned deductions</i> (if deduction was instead a profit, how much could have been distributed to group as a profit that accrued to the group)		<input type="text"/>	
	<i>Acquired deductions</i> (balance of the inherited deductions)	<input type="text"/>		
K	<i>Multiply acquired deductions by general company tax rate</i>	<input type="text" value="30%"/>	<input type="text"/>	
	Subtract the sum of J and K			<input type="text"/>
	Entry ACA result after step 7			<input type="text"/>

Step 8: Entry ACA result (section 705-60, ITAA 1997)

	\$
ACA equals result after step 7 or nil, whichever is greater	<input type="text"/>

Revision history

Section C2-3-110 first published 2 December 2002 and updated 28 May 2003.

Further revisions are described below.

Date	Amendment	Reason
14.7.04	Note on recent and proposed changes to consolidation rules.	Recent and proposed legislative amendments.
26.10.05	Change to step 3 and update of note on foreign loss of a partnership, p. 3.	Legislative amendment.
30.6.09	Removal of note at step 6 to reflect new rules for treatment of foreign losses.	Legislative amendment.

Proposed changes to consolidation

Proposed changes to consolidation announced by the Government are not incorporated into the *Consolidation reference manual* until they become law. In the interim, information about such changes can be viewed at:

- <http://assistant.treasurer.gov.au> (Assistant Treasurer's press releases)
- www.treasury.gov.au (Treasury papers on refinements to the consolidation regime).



103 CRMUR Andy insert alerts Karen C



154 CRMUR - foreign loss - consequential A