


***TD 2004/51 - Income tax: consolidation: capital gains: does section 124-784 of the Income Tax Assessment Act 1997 apply to determine the cost base of equity or debt issued by an acquiring entity to its ultimate holding company as part of a scrip for scrip arrangement if those companies are members of a consolidated group?***

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## Taxation Determination

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Income tax: consolidation: capital gains: does section 124-784 of the *Income Tax Assessment Act 1997* apply to determine the cost base of equity or debt issued by an acquiring entity to its ultimate holding company as part of a scrip for scrip arrangement if those companies are members of a consolidated group?

### **Preamble**

*The number, subject heading, date of effect and paragraphs 1 to 2 of this document are a 'public ruling' for the purposes of Part IVAAA of the **Taxation Administration Act 1953** and are legally binding on the Commissioner.*

1. No. The single entity rule in section 701-1 of the *Income Tax Assessment Act 1997* (ITAA 1997) applies to a consolidated group for income tax purposes. The single entity rule has the effect that equity and debt interests that arise between members of a consolidated group are not recognised for income tax purposes. Accordingly, section 124-784 of the ITAA 1997 cannot operate to set a cost base for intra-group equity or debt issued as part of a scrip for scrip arrangement.
2. Section 124-784 of the ITAA 1997 ordinarily allocates cost base to equity issued or new debt owed by an acquiring company to the ultimate head company of the group as part of an arrangement involving a downstream acquisition of another company if there is a common or significant stakeholder for the arrangement.

### **Date of effect**

3. This Determination applies to years commencing both before and after its date of issue. However, it does not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

# TD 2004/51

*Previous draft:*

TD 2004/D21

- consolidation – capital gains tax
- head company
- scrip for scrip rollover
- single entity rule

*Related Rulings/Determinations:*

TR 92/20

*Legislative references:*

*Subject references:*

- capital gains
- CGT exemptions
- consolidation

- TAA 1953 Pt IVAAA
- ITAA 1997 124-784
- ITAA 1997 701-1

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ATO references

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