



## Class Ruling

### Income tax: scrip for scrip: merger of MyState Financial Credit Union of Tasmania Limited and Tasmanian Perpetual Trustees Limited (Tasmanian Perpetual Trustees shareholders)

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#### **ⓘ This publication provides you with the following level of protection:**

This publication (excluding appendices) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

## What this Ruling is about

1. This Ruling sets out the Commissioner's opinion on the way in which the relevant provision(s) identified below apply to the defined class of entities, who take part in the scheme to which this Ruling relates.

#### Relevant provision(s)

2. The relevant provisions dealt with in this Ruling are:

- section 104-10 of the *Income Tax Assessment Act 1997* (ITAA 1997);
- subsection 110-25(2) of the ITAA 1997;
- subsection 110-55(2) of the ITAA 1997; and
- subsection 116-20(1) of the ITAA 1997.

All legislative references are to the ITAA 1997, unless otherwise specified.

## Class of entities

3. The class of entities to which this Ruling applies consists of shareholders of Tasmanian Perpetual Trustees Limited (TPX) who:
- (a) are residents of Australia within the meaning of subsection 6(1) of the *Income Tax Assessment Act 1936* (ITAA 1936);
  - (b) received fully paid ordinary shares in MyState Limited (MyState) as a result of the implementation of the schemes of arrangement for the merger of MyState Financial Credit Union of Tasmania Limited (MSF) and TPX;
  - (c) have not applied for, or are not eligible for, scrip for scrip roll-over under Subdivision 124-M for their TPX shares;
  - (d) acquired their TPX Shares on or after 20 September 1985;
  - (e) hold their TPX Shares on capital account; and
  - (f) did not acquire their TPX Shares through an employee share scheme (as that term was defined in former section 139C of the ITAA 1936).

## Qualifications

4. The Commissioner makes this Ruling based on the proposed scheme precisely identified in this Ruling.
5. The class of entities defined in this Ruling may rely on its contents provided the scheme actually carried out is carried out in accordance with the scheme described in paragraphs 9 to 23 of this Ruling.
6. If the scheme actually carried out is materially different from the scheme that is described in this Ruling, then:
- this Ruling has no binding effect on the Commissioner because the scheme entered into is not the scheme on which the Commissioner has ruled; and
  - this Ruling may be withdrawn or modified.
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## Date of effect

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8. This Ruling applies from 1 July 2009 to 30 June 2010. The Ruling continues to apply after 30 June 2010 to all entities within the specified class who entered into the specified scheme during the term of the Ruling. However, this Ruling will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Ruling (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

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## Scheme

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9. The following description of the scheme is based on information provided by the applicant. The following documents, or relevant parts of them, form part of and are to be read with the description:

- Class ruling application, dated 21 January 2010;
- Merger Implementation Agreement, dated 10 October 2008;
- Deed of Amendment: Merger Implementation Agreement, dated 21 January 2009;
- Second Deed of Amendment: Merger Implementation Agreement, dated 22 June 2009; and
- TPX Explanatory Booklet, dated 29 June 2009.

**Note:** certain information has been provided on a commercial-in-confidence basis and will not be disclosed or released under Freedom of Information legislation.

10. TPX is a Tasmanian based provider of financial products and trustee services and is a trustee company authorised under the *Trustee Companies Act 1953* (Tas) and holds a public offer Registered Superannuation Entity Licence.

11. TPX was formed in December 2001 following the merger of Tasmanian Trustees Limited and Perpetual Trustees Tasmania Limited, both of which were established in 1887, and was publicly listed on the Australian Securities Exchange (ASX).

12. MSF is an Australian Prudential Regulation Authority (APRA) regulated authorised deposit taking institution operating predominantly in Tasmania.

13. MSF is a mutual credit union. It had approximately 117,000 members each of whom was the holder of one or more MSF Member Shares. The MSF Member Shares, whilst forming the capital of MSF, were held under the principles of mutuality adopted by MSF.

14. On 10 October 2008, MSF and TPX entered into a Merger Implementation Agreement under which it was proposed that the two companies would merge to create a leading Tasmanian based integrated financial services group. The terms of the Merger Implementation Agreement were amended by the parties on 21 January 2009 and 22 June 2009.

15. Under the merger transaction, MSF and TPX would become wholly-owned subsidiaries of MyState and MyState would become an APRA regulated non-operating holding company. However, Court Orders needed to be obtained before either the MSF or the TPX schemes of arrangement could proceed.

16. MyState was incorporated as a public company on 8 October 2008 with issued capital of two ordinary shares for \$2.

17. The Effective Date of the MSF and TPX schemes of arrangement was 9 September 2009 (being the date the Court Orders were lodged with the Australian Securities and Investments Commission).

18. MyState was admitted to the Official List of the ASX on 9 September 2009. Official quotation of MyState shares commenced on 10 September 2009 on a deferred settlement basis.

19. Pursuant to the Merger Implementation Agreement, on the Implementation Date (17 September 2009) TPX shareholders transferred their TPX shares to MyState and MyState allotted MyState shares to TPX shareholders.

20. TPX shareholders received one MyState share for each TPX share transferred to MyState.

21. MyState holding statements were despatched on 23 September 2009 and normal trading of MyState shares commenced on 24 September 2009.

22. The daily Volume Weighted Average Price (VWAP) of the MyState shares on the Implementation Date was \$3.0455 as follows:

Date	Open	High	Low	Close	Volume	VWAP
17/09/2009	300	310	300	310	5,500	3.0455

23. TPX has been delisted from the ASX and the final day of trading in TPX shares was 7 September 2009.

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## **Ruling**

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### **CGT event A1 happens on the disposal of TPX shares to MyState**

24. CGT event A1 happened as a result of the disposal by TPX shareholders of their TPX shares to MyState on the Implementation Date of the Scheme on 17 September 2009 (subsections 104-10(1) and 104-10(2) and paragraph 104-10(3)(b)).

### **Capital gain or capital loss**

25. A TPX shareholder made a capital gain when CGT event A1 happened if the capital proceeds from the disposal of each TPX share exceeded its cost base. A TPX shareholder made a capital loss if the capital proceeds were less than the reduced cost base of the TPX share (subsection 104-10(4)).

### **Capital proceeds**

26. The capital proceeds for the disposal of each TPX share is the market value of the MyState share received in exchange for the TPX share (worked out as at the time that CGT event A1 happened) (subsections 116-20(1)).

### **Cost base and reduced cost base of MyState shares**

27. The first element of the cost base and reduced cost base of each MyState share that TPX shareholders received in exchange for TPX shares under the Scheme is equal to the market value of each TPX share given in exchange for the MyState share on the Implementation Date (subsections 110-25(2) and 110-55(2)).

### **Market valuation**

28. The Commissioner will accept the amount of \$3.0455 as the market value of each MyState share on the Implementation Date of the Scheme.

29. The Commissioner will accept the amount of \$3.0455 as the first element of the cost base and reduced cost base of each MyState share acquired by TPX shareholders for the disposal of their TPX shares on the Implementation Date of the Scheme.

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**Commissioner of Taxation**

16 June 2010

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## Appendix 1 – Explanation

**❶** *This Appendix is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

30. The Ruling section provides a detailed explanation of the tax consequences of the Scheme the subject of this Ruling and the relevant legislative provisions.

31. However, further explanation is required in relation to the market value that the Commissioner is prepared to accept of the MyState shares on the Implementation Date of the Scheme.

### Market value

32. 'Market value' is defined in section 995-1 as having a meaning affected by Subdivision 960-S. Section 960-400 states that the term market value is often used in the ITAA 1997 according to its ordinary meaning; however, in some cases that expression has a meaning affected by this Subdivision. Special rules apply where the Goods and Services Tax affects the market value of an asset and in the case of market value of non-cash benefits. Neither of these special rules is relevant for the purposes of the market value of the MyState shares under the Scheme so market value has its ordinary meaning.

33. The daily VWAP of the MyState shares on the Implementation Date of 17 September 2009 was \$3.0455 as follows:

Date	Open	High	Low	Close	Volume	VWAP
17/09/2009	300	310	300	310	5,500	3.0455

34. The Commissioner will accept the VWAP of the MyState shares traded on the ASX on a deferred settlement basis on the Implementation Date of the Scheme as the market value of MyState shares at the Implementation Date.

35. The Commissioner will accept that the VWAP of the MyState shares at the Implementation Date represents the market value of the TPX shares given in exchange for the MyState shares.

## **Appendix 2 – Detailed contents list**

36. The following is a detailed contents list for this Ruling:

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## References

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*Previous draft:*

Not previously issued as a draft

*Related Rulings/Determinations:*

CR 2009/41; CR 2010/20;  
TR 2006/10

*Subject references:*

- CGT capital proceeds
- CGT event A1 – disposal of CGT asset
- CGT events
- CGT cost base
- disposal of shares
- market value cost base
- ordinary shares
- schemes of arrangement
- shareholders

*Legislative references:*

- ITAA 1936
  - ITAA 1936 6(1)
  - ITAA 1936 139C
  - ITAA 1997
  - ITAA 1997 104-10
  - ITAA 1997 104-10(1)
  - ITAA 1997 104-10(2)
  - ITAA 1997 104-10(3)(b)
  - ITAA 1997 104-10(4)
  - ITAA 1997 110-25(2)
  - ITAA 1997 110-55(2)
  - ITAA 1997 116-20(1)
  - ITAA 1997 Subdiv 124-M
  - ITAA 1997 Subdiv 960-S
  - ITAA 1997 960-400
  - ITAA 1997 995-1
  - TAA 1953
  - Copyright Act 1968
  - Trustee Companies Act 1953 (Tas)
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ATO references

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