

CR 2022/97 - Moneytech Group Limited - demerger of Monoova Limited

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⚠ This document has changed over time. This is a consolidated version of the ruling which was published on *18 January 2023*



Status: **legally binding**

Class Ruling

Moneytech Group Limited – demerger of Monoova Limited

📌 Relying on this Ruling

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

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

[Note: This is a consolidated version of this document. Refer to the Legal database (www.ato.gov.au/Law) to check its currency and to view the details of all changes.]

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What this Ruling is about

1. This Ruling sets out the income tax consequences of the demerger of Monoova Limited (Monoova) by Moneytech Group Limited (Moneytech), which was implemented on 31 August 2022 (Implementation Date).
2. Details of this scheme are set out in paragraphs 20 to 41 of this Ruling.
3. All legislative references in this Ruling are to provisions of the *Income Tax Assessment Act 1936* or the *Income Tax Assessment Act 1997* (as detailed in the table in the Appendix to this Ruling), unless otherwise indicated.

Who this Ruling applies to

4. This Ruling applies to you if you:
 - held either or both fully-paid ordinary shares and fully-paid A Class preference shares in Moneytech
 - were registered on the Moneytech share register on 31 August 2022 (Record Date)
 - held your shares in Moneytech on capital account on the Record Date; that is, you did not hold shares in Moneytech as revenue assets (as defined in section 977-50) or as trading stock (as defined in subsection 995-1(1)), and

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- were a resident of Australia (as defined in subsection 6(1)) on the Implementation Date.

5. This Ruling does not apply to anyone who is subject to the taxation of financial arrangements rules in Division 230 in relation to the scheme outlined in paragraphs 20 to 41 of this Ruling.

Note: Division 230 will not apply to individuals unless they have made an election for it to apply.

When this Ruling applies

6. This Ruling applies from 1 July 2022 to 30 June 2023.

Ruling**Demerger relief available**

7. A demerger, as defined in section 125-70, happened to the Moneytech demerger group, which included Moneytech and Monoova, as the conditions under subsection 125-70(1) were satisfied. This included Monoova being a demerger subsidiary of Moneytech when the restructuring commenced and, under the restructuring, Moneytech disposed of all its shares in Monoova to Moneytech shareholders.

Capital gains tax consequences**CGT event G1**

8. CGT event G1 happened on the Implementation Date when Moneytech paid you an amount in respect of your Moneytech shares by way of the transfer of Monoova shares (section 104-135).

9. You made a capital gain from CGT event G1 happening if the amount of the reduction of share capital for each Moneytech share (\$1.65) was more than the cost base of your Moneytech share. The capital gain is equal to the amount of the excess. No capital loss can be made from CGT event G1 (subsection 104-135(3)).

Choosing demerger roll-over

10. You can choose to obtain demerger roll-over under subsection 125-55(1) for your Moneytech shares.

11. If you choose demerger roll-over for your Moneytech shares:

- any capital gain you made when CGT event G1 happened to your Moneytech shares under the demerger is disregarded (subsection 125-80(1)), and
- you must recalculate the first element of the cost base and reduced cost base of your Moneytech shares and calculate the first element of the cost base and reduced cost base of the corresponding Monoova shares you acquired under the demerger (subsection 125-80(2)) (see paragraphs 13 to 16 of this Ruling).

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Not choosing demerger roll-over

12. If you do not choose demerger roll-over for your Moneytech shares, you:
- cannot disregard any capital gain you made when CGT event G1 happened to your Moneytech shares under the demerger, and
 - must recalculate the first element of the cost base and reduced cost base of your Moneytech shares and calculate the first element of the cost base and reduced cost base of the corresponding Monoova shares you acquired under the demerger (subsections 125-85(1) and (2)) (see paragraphs 13 to 16 of this Ruling).

Cost base and reduced cost base of your Moneytech Group Limited and Monoova Limited shares

13. The first element of the cost base and reduced cost base of each Moneytech share and corresponding Monoova share is worked out by:
- taking the total of the cost bases of your Moneytech shares just before the demerger, and
 - apportioning that total between your Moneytech shares and the Monoova shares you acquired under the demerger.
14. The apportionment is done on a reasonable basis having regard to the market values (just after the demerger) of the Moneytech shares and Monoova shares or an anticipated reasonable approximation of those market values (subsections 125-80(2) and (3)).
15. The Commissioner accepts that a reasonable apportionment is to attribute:
- 46.7% of the total of the cost bases of your Moneytech shares just before the demerger to the Moneytech shares after the demerger, and
 - 53.3% of the total of the cost bases of your Moneytech shares just before the demerger to the corresponding Monoova shares received under the demerger.
16. You work out the first element of the cost base and reduced cost base of each Moneytech share and corresponding Monoova share whether or not you choose demerger roll-over (subsections 125-80(2) and (3), and 125-85(1) and (2)).

Acquisition date of Monoova Limited shares for discount capital gain purposes

17. For the purpose of determining whether you can make a discount capital gain from a future CGT event that happens to a Monoova share you acquired under the demerger, you will be taken to have acquired the Monoova share on the date you acquired, for capital gains tax purposes, the corresponding Moneytech share (table item 2 of subsection 115-30(1)). This will be the case whether or not you choose demerger roll-over.

Not an assessable dividend

18. No part of the value of a Monoova share transferred to you under the demerger will be included in your assessable income as a dividend under subsection 44(1).

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Anti-avoidance provisions will not apply to deem an assessable dividend

19. The Commissioner will not make a determination under subsection 45B(3) that either of sections 45BA or 45C apply in relation to the whole, or any part, of the capital benefits provided to you under the demerger as the purpose condition in paragraph 45B(2)(c) was not satisfied.

Scheme

20. The following description of the scheme is based on information provided by the applicant. If the scheme is not carried out as described, this Ruling cannot be relied upon.

Moneytech Group Limited

21. Moneytech is an Australian unlisted public company and the head company of an Australian income tax consolidated group.

22. Moneytech has 2 broad business streams which include businesses in:

- non-bank commercial lending (Lending Division), and
- payments/FX solutions (Payments Division).

23. Moneytech has undertaken an internal reorganisation to separate the entities involved in the group's Payments Division from its Lending Division.

24. Immediately before the Implementation Date, Moneytech had on issue:

- 11,321,874 fully-paid ordinary shares
- 2,590,218 fully-paid A Class preference shares, and
- 150,000 options over ordinary shares issued to 2 option holders.

25. There were no other ownership interests (as defined in subsection 125-60(1)) in Moneytech.

26. There are no foreign-resident shareholders of which Moneytech is aware.

Monoova Limited

27. Monoova is a company which was incorporated in Australia on 22 June 2022.

28. Monoova holds (either directly or indirectly through its wholly-owned subsidiary Monoova Group Pty Ltd) all of the interests in the assets of the Payments Division.

29. Immediately before the Implementation Date, Monoova had on issue:

- 11,321,874 fully-paid ordinary shares
- 2,590,218 fully-paid A Class preference shares, and
- 150,000 options over ordinary shares which were all owned or issued by Moneytech.

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The demerger of Monoova Limited

30. The demerger of Monoova was undertaken by an equal capital reduction and a selective capital reduction of share capital under section 256B of the *Corporations Act 2001*.
31. At a meeting on 25 July 2022, the shareholders of Moneytech voted to approve an ordinary and special resolution under section 256C of the *Corporations Act 2001* to reduce the share capital of Moneytech by an amount (the capital reduction amount) equal to the entirety of the market value of all the fully-paid ordinary shares in the capital of Monoova. The capital reduction amount equated to \$1.65 per Moneytech share.
32. The date for determining the entitlement of Moneytech shareholders to receive Monoova shares was the Record Date (31 August 2022).
33. On the Implementation Date (31 August 2022), each Moneytech shareholder's entitlement to the capital reduction amount was applied as consideration for the in specie transfer of the issued Monoova share capital. Each Moneytech shareholder received one Monoova share for every Moneytech share they held on the Record Date, and nothing else.
34. Moneytech accounted for the demerger by debiting its share capital account by \$22,908,278 (the capital reduction amount).
35. No demerger dividend was paid.
36. After the demerger, Moneytech did not own any shares in Monoova.
37. Shares in Monoova were not listed for quotation on the Australian Securities Exchange.

Reasons for demerger

38. The demerger was undertaken to achieve the following objectives:
- To better enable distinct business plans and growth strategies to be pursued by each business. Separated businesses will receive improved focus, additional strategic investment, ability to expand each customer base and more effective communication with the market as independent companies.
 - Given the different profiles of the 2 businesses, separation will enable each business to adopt a capital structure and financial policies appropriate to its needs.
 - Upon completion of the transition period, there is to be a complete separation such that there will be no reliance from one division to the other for services/assets.
 - Ultimately, management considered that the separation of the businesses will drive greater returns and long-term value for shareholders.

Other matters

39. Immediately before the Implementation Date, Moneytech's share capital account was not tainted within the meaning of Division 197.

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40. The 150,000 options over ordinary shares in Moneytech issued to 2 option holders are not provided in connection with an employee share scheme. Under the demerger, the option holders will receive an equivalent number of options in Monoova as they hold in Moneytech with the exercise price of the options proportionally adjusted to reflect the demerger.

41. Moneytech does not have a dividend policy nor paid a dividend since being incorporated.

Commissioner of Taxation

26 October 2022

 Status: **not legally binding**

Appendix – Legislative provisions

42. This paragraph sets out the details of the provisions ruled upon or referenced in this Ruling.

<i>Income Tax Assessment Act 1936</i>	subsection 6(1)
<i>Income Tax Assessment Act 1936</i>	subsection 44(1)
<i>Income Tax Assessment Act 1936</i>	paragraph 45B(2)(c)
<i>Income Tax Assessment Act 1936</i>	subsection 45B(3)
<i>Income Tax Assessment Act 1936</i>	section 45BA
<i>Income Tax Assessment Act 1936</i>	section 45C
<i>Income Tax Assessment Act 1997</i>	section 104-135
<i>Income Tax Assessment Act 1997</i>	subsection 104-135(3)
<i>Income Tax Assessment Act 1997</i>	subsection 115-30(1)
<i>Income Tax Assessment Act 1997</i>	subsection 125-55(1)
<i>Income Tax Assessment Act 1997</i>	subsection 125-60(1)
<i>Income Tax Assessment Act 1997</i>	section 125-70
<i>Income Tax Assessment Act 1997</i>	subsection 125-70(1)
<i>Income Tax Assessment Act 1997</i>	subsection 125-80(1)
<i>Income Tax Assessment Act 1997</i>	subsection 125-80(2)
<i>Income Tax Assessment Act 1997</i>	subsection 125-80(3)
<i>Income Tax Assessment Act 1997</i>	subsection 125-85(1)
<i>Income Tax Assessment Act 1997</i>	subsection 125-85(2)
<i>Income Tax Assessment Act 1997</i>	Division 197
<i>Income Tax Assessment Act 1997</i>	Division 230
<i>Income Tax Assessment Act 1997</i>	section 977-50
<i>Income Tax Assessment Act 1997</i>	subsection 995-1(1)

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References

Legislative references:

- Corporations Act 2001 256B
 - Corporations Act 2001 256C
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ATO references

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