


***TD 2004/71A1 - Addendum - Income tax:
consolidation: can section 705-80 of the Income Tax
Assessment Act 1997 apply to a liability (or a change
in a liability) that is recognised for accounting
purposes because of an event that occurred after the
joining time that provides new evidence of
conditions that existed at the joining time?***

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Addendum

Taxation Determination

Income tax: consolidation: can section 705-80 of the *Income Tax Assessment Act 1997* apply to a liability (or a change in a liability) that is recognised for accounting purposes because of an event that occurred after the joining time that provides new evidence of conditions that existed at the joining time?

This Addendum amends Taxation Determination TD 2004/71 to reflect changes introduced by Schedule 5 to the *Tax Laws Amendment (2010 Measures No. 1) Act 2010*. This Addendum also reflects changes introduced by Accounting Standard AASB 110 *Events after the Reporting Period*.

TD 2004/71 is amended as follows:

1. Paragraph 2

Omit:

an accounting liability, or a change in the amount of an accounting liability (other than one owed to a *member of the joined group) is taken into account [for income tax purposes] at a later time than is the case in accordance with *accounting standards or statements of accounting concepts made by the Australian Accounting Standards Board [AASB].

Substitute:

an accounting liability, or a change in the amount of an accounting liability, (other than one owed to a *member of the joined group) is taken into account [for income tax purposes] at a later time than is the case in accordance with the joining entity's *accounting principles for tax cost setting

2. Paragraph 3

Omit 'the accounting standards or statements mentioned in paragraph 3'; substitute 'the joining entity's accounting principles for tax cost setting'.

3. Paragraph 5

- (a) Omit 'accounting standards or statements of accounting concepts made by the AASB'; substitute 'the joining entity's accounting principles for tax cost setting'.
- (b) Omit 'that can or must be recognised in the entity's statement of financial position'.

4. Paragraph 6

- (a) Omit 'for a statement of financial position'; substitute 'in a financial statement'.
- (b) Omit second sentence; substitute:

In accordance with the principles in Accounting Standard AASB 110 *'Events after the Reporting Period'* only events occurring after the joining time and before the lodgment of the next consolidated income tax return after the joining time are to be considered.

5. Paragraphs 7 to 9

Omit the paragraphs; substitute:

7. AASB 110 states at paragraph 8 that 'an entity shall adjust the amounts recognised in its financial statements to reflect *adjusting events after the reporting period.*' An *adjusting event after the reporting period* is defined in paragraph 3 of that Standard as being an event which happens after the end of the reporting period but before the date when the financial statements are authorised for issue which provides evidence of the conditions that existed at the end of the reporting period.

8. Paragraph 10 of AASB 110 makes it clear that amounts in financial statements are not adjusted to reflect conditions that arise after the reporting period. The Standard acknowledges, however, that these conditions may need to be disclosed.

9. The application of the accounting standard AASB 110 *'Events after the Reporting Period'* in recognising and measuring liabilities under subsection 705-70(1) is discussed at paragraphs 83-86 of Taxation Ruling TR 2006/6.

6. Paragraph 10

Omit 'lodgement'; substitute 'lodgment'

7. Paragraphs 11 to 13

Omit all occurrences of '2004'; substitute '2010'.

8. Subject references

- (a) Omit:
 - statements of accounting concepts

(b) Insert:

- accounting principles
- joining entity's accounting principles for tax cost setting

9. Other references

Omit 'Accounting Standard AASB 1002 'Events Occurring After Reporting date'; substitute 'Accounting Standard AASB 110 'Events after the Reporting Period'

This Addendum applies before and after its date of issue.

Commissioner of Taxation

23 March 2011

ATO references

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