


***TD 2005/53A1 - Addendum - Income tax:
consolidation: exit tax cost setting rules: where an
accounting liability added at subsection 711-45(1) of
the Income Tax Assessment Act 1997 is modified by
the operation of subsections 711-45(3) and (5), does
the amount determined under subsection 711-45(5)
override the adjustment made by subsection
711-45(3)?***

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Addendum

Taxation Determination

Income tax: consolidation: exit tax cost setting rules: where an accounting liability added at subsection 711-45(1) of the *Income Tax Assessment Act 1997* is modified by the operation of subsections 711-45(3) and (5), does the amount determined under subsection 711-45(5) override the adjustment made by subsection 711-45(3)?

This Addendum amends Taxation Determination TD 2005/53 to reflect changes that were made to sections 711-20 and 711-45 of the *Income Tax Assessment Act 1997* (ITAA 1997) and the insertion of subsection 711-45(1A) of the ITAA 1997 by Schedule 5 of the *Taxation Laws Amendment (2010 Measures No. 1) Act 2010*. This Addendum also updates TD 2005/53 to reflect the issue of Taxation Ruling TR 2006/6.

TD 2005/53 is amended as follows:

1. Paragraph 1

Insert footnote after '(ITAA 1997)':

¹ All legislative references are to the ITAA 1997, unless otherwise indicated.

2. Paragraph 3

(a) Insert footnote after the first occurrence of 'Step 4':

² For how the law in relation to step 4 (section 711-45) applies to an entity that left a consolidated group before 10 February 2010, refer to the Full Federal Court decision in *Handbury Holdings Pty Ltd v. Commissioner of Taxation* [2009] FCAFC 141.

(b) Omit the first occurrence of 'at the leaving time'; substitute 'just before the leaving time'.

TD 2005/53

3. Paragraph 4

Omit paragraph; substitute:

4. The starting point in working out the exit step 4 amount is subsection 711-45(1). That subsection provides that the amount of each thing that is an accounting liability (in accordance with the leaving entity's accounting principles for tax cost setting) of the leaving entity just before the leaving time is taken into account in working out the step 4 amount of the exit ACA.

Note: the leaving entity's *accounting principles for tax cost setting* are the * accounting principles that the group would use if it were to prepare its financial statements just before the leaving time (disregarding subsection 701-1(1) (the single entity rule)). See subsection 711-45(1A).

4. Paragraph 6

Omit 'Taxation Ruling TR 2004/14 provides'; substitute 'Taxation Rulings TR 2004/14 and TR 2006/6 provide'.

5. Paragraph 12

Omit 'at the leaving time'; substitute 'just before the leaving time'.

6. Paragraph 13

Omit 'Terminating values of assets that the leaving entity takes with it when it ceases to be a member'; substitute 'Terminating values of the leaving entity's assets just before the leaving time'.

7. Related Rulings/Determinations

Insert 'TR 2006/6'.

8. Subject references

Insert:

- accounting principles for tax cost setting

9. Legislative references

Insert:

- ITAA 1997 701-1(1)
- ITAA 1997 711-45
- ITAA 1997 711-45(1A)

10. Case references

Insert after the legislative references:

Case references:

- Handbury Holdings Pty Ltd v. Commissioner of Taxation [2009] FCAFC 141

This Addendum applies on and from 10 February 2010, the date of application of the amendments to the *Income Tax Assessment Act 1997* made by Division 1 of Part 7 and Part 8 of Schedule 5 to the *Tax Laws Amendment (2010 Measures No. 1) Act 2010*.

Commissioner of Taxation

2 March 2011

ATO references

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