



ASSISTANT TREASURER

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**PRESS
RELEASE**

AUSTRALIA'S CORPORATE TAX CONSOLIDATION REGIME ENHANCED BY PASSAGE OF NEW LAWS

Australia's tax consolidation regime was today significantly enhanced by the passage of laws that resolve several long-standing operational issues and provide greater certainty and less compliance costs to businesses seeking to consolidate for tax purposes.

"These amendments resolve issues that have arisen with the practical operation of the consolidation regime since its introduction in 2002," the Assistant Treasurer said.

"They significantly boost certainty and cut back unnecessary compliance costs."

"The consolidation amendments make key changes to clarify the operation of the tax cost setting rules that apply when an entity joins or leaves a consolidated group."

"They also ensure the tax cost-setting amount allocated to an asset can be used for subsequent tax purposes."

Other modifications to the tax cost-setting rules ensure that non-membership equity interests issued by an entity that joins or leaves a consolidated group are properly taken into account.

"Several of the measures enacted today will reduce compliance costs for consolidated groups," said the Assistant Treasurer.

"In particular, the amendments to ensure that minimal tax consequences arise when a consolidated group converts to a multiple entry consolidated group, or vice versa, will significantly reduce compliance costs for groups that restructure."

The amendments also modify the mechanism for making various choices in relation to the formation of, or changes to, a consolidated group. This will overcome administrative difficulties that have arisen with the current mechanism for making these choices.

Further, the amendments improve the interaction with the capital gains tax rules by removing difficulties that arise when a capital gains tax event straddles the time that an entity joins or leaves a consolidated group and by improving the treatment of pre-capital gains tax membership interests that are held in a joining entity.

"I would particularly like to thank the members of business and professional groups who made their views known during the extensive consultation process", the Assistant Treasurer said.

CANBERRA

13 May 2010

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ATTACHMENT

Tax Laws Amendment (2010 Measures No. 1) Bill 2010 amends the consolidation regime to:

- ensure that the tax cost that is set for an asset of a joining entity can be used for the purposes of applying other provisions of the income tax law;
- allow consolidated groups to convert to multiple entry consolidated groups, and vice versa, with minimal tax consequences;
- improve the treatment of pre-capital gains tax (CGT) membership interests held in a joining entity;
- clarify and improve the operation of various aspects of the tax cost setting rules that apply when an entity joins or leaves a consolidated group;
- treat units in cash management trusts and certain rights to future income held by a joining entity as retained cost base assets;
- repeal CGT event L7;
- reduce the tax cost setting amount of a joining entity that has impaired debts at the joining time;
- ensure the blackhole expenditure provisions that apply to consolidated groups also apply to multiple entry consolidated groups;
- ensure that certain consolidation transitional rules apply to the head company of a group which has a substituted accounting period where the group consolidated after 30 June 2003 on a day before the first day of its income year;
- improve the operation of the inter-entity loss multiplication rules for widely held companies;
- modify the CGT timing rules where:
 - an entity which holds a CGT asset joins or leaves a consolidated group; and
 - a CGT event happens in relation to the asset which straddles the joining or leaving time;
- modify the mechanism for making various choices relating to the formation of, or changes to, a consolidated group or multiple entry consolidated group;
- modify the mechanism for working out the taxable income of consolidated groups that have life insurance company members in respect of intra-group transactions; and
- modify the tax cost setting rules where an entity that has issued non-membership equity interests joins or leaves a consolidated group.