



Mayne Group Ltd (renamed Symbion Health Ltd) demerger 2005

Find out about the 2005 Mayne Group Ltd (renamed Symbion Health Ltd) demerger of Mayne Pharma Ltd.

3 February 2016

Impact on resident individual shareholders

These questions and answers apply to you if:

- you are an individual taxpayer who is an Australian resident for tax purposes
- you were eligible to participate in the demerger of Mayne Pharma Ltd from Mayne Group Ltd, and you received new shares in Mayne Pharma Ltd under the demerger
- you did not acquire your Mayne Group Ltd shares under an employee share scheme, and
- any gain or loss you made on the shares is a capital gain or capital loss - that is, you held your shares as an investment asset rather than
 - as trading stock
 - as part of carrying on a business, or
 - to make a short-term or one-off commercial gain.

In this fact sheet:

- a pre-capital gains tax (pre-CGT) share refers to one acquired before 20 September 1985, and
- a post-capital gains tax (post-CGT) share refers to one acquired on or after that date.



Attention Mayne Group Ltd changed its name to Symbion Health Ltd after the demerger.

Background

Under the demerger, Mayne Pharma Ltd (MPL) was demerged from Mayne Group Ltd (Mayne). The demerger involved a return of capital of \$2.49 per share in Mayne. This amount facilitated the issue of shares by MPL to Mayne shareholders. Mayne shareholders received one MPL share for every one of their Mayne shares.

1. What do I have to do if I was a shareholder in Mayne when MPL was demerged?

The return of capital resulted in a capital gains tax (CGT) event happening to each of your Mayne shares.

There are two things you must do:

1. consider whether you want to choose demerger rollover, and
2. recalculate the cost base and reduced cost base of your post-CGT Mayne and post-CGT MPL shares.

2. What are the consequences of choosing rollover?

a) If some or all of your Mayne shares are pre-CGT

If you choose rollover and some or all of your Mayne shares are pre-CGT, you can treat the corresponding MPL shares as pre-CGT. This means that any capital gain or capital loss resulting from the sale of these shares is ignored, and does not need to be included when calculating your net capital gain or net capital loss.

Example

If a quarter of your 1,000 Mayne shares are pre-CGT, a quarter of the 1,000 MPL shares (250 shares) you received will also be pre-CGT shares if you choose rollover.

If all of your 1,000 Mayne shares are pre-CGT, the 1,000 MPL shares you received will all be pre-CGT shares if you choose rollover.

Therefore, any capital gain or capital loss on the sale of the pre-CGT MPL shares is ignored, and does not need to be included when calculating your net capital gain or net capital loss.

b) If some or all of your Mayne shares are post-CGT

If you choose rollover and some or all of your Mayne shares are post-CGT, you can disregard any capital gain resulting from the \$2.49 return of capital for those post-CGT shares. A capital gain would only arise if the cost base of your post-CGT Mayne shares was less than \$2.49 just before the demerger. You cannot make a capital loss on the return of capital.

3. What are the consequences of not choosing rollover?

a) If some or all of your Mayne shares are pre-CGT

If you do not choose rollover, none of your MPL shares will be treated as pre-CGT shares.

b) If some or all of your Mayne shares are post-CGT

If you do not choose rollover and you made a capital gain on the return of capital (that is, the cost base of some or all of your post-CGT Mayne shares was less than \$2.49 just before the demerger), you must take the capital gain into account in calculating your net capital gain or net capital loss in your 2005-06 tax return.

4. If I do not choose rollover and some or all of my Mayne shares are pre-CGT, how do I calculate the cost base and reduced cost base of my new MPL shares?

If you owned pre-CGT Mayne shares, the first element of the cost base (and reduced cost base) of each MPL share you received in relation to those shares just after the demerger is \$2.49 (that being the amount received as a return of capital under the demerger).

5. How do I calculate the cost base and reduced cost base of my post-CGT Mayne and post-CGT MPL shares?

Regardless of whether or not you choose rollover, you must recalculate the cost base and reduced cost base of each of your post-CGT Mayne shares, and each of the post-CGT MPL shares you received for those shares. The cost base of these MPL shares is not \$2.49.

The cost base of your post-CGT Mayne shares just before the demerger (not including indexation) is spread across those shares and the post-CGT MPL shares you received for the post-CGT Mayne shares. The spread is based on the value of Mayne that MPL represented at that time (that is, 44.217%). The remaining 55.783% is spread across your Mayne shares.

Example

You bought a parcel of 1,000 post-CGT Mayne shares that had a total cost base of \$3,500 (just before the demerger). Later, you bought another parcel of 500 post-CGT Mayne shares that had a total cost base of \$2,000 (just before the demerger).

Therefore, the total cost base of all your 1,500 post-CGT Mayne shares is \$5,500 (\$3,500 + \$2,000)

Under the demerger you received 1,500 shares in MPL for these 1,500 post-CGT Mayne shares.

You calculate the cost base of your shares after the demerger as follows:

Mayne

$$\$5,500 \times 55.783\% = \$3,068.07$$

The first element of the cost base (and reduced cost base) of each of your 1,500 post-CGT Mayne shares is \$2.0454 (\$3,068.07 ÷ 1,500)

MPL

$$\$5,500 \times 44.217\% = \$2,431.94$$

The first element of the cost base (and reduced cost base) of each of your 1,500 MPL shares is \$1.6213 (\$2,431.94 ÷ 1,500)



This example illustrates the cost base calculations using the 'averaging method'. Taxation Determination TD 2006/73 explains that you can use other methods if they are reasonable. For example, in the circumstances of this demerger, it would also be reasonable to use the 'parcel by parcel' method outlined in

TD 2006/73. For more information read
Demergers: cost base rules tax determination.

Remember that in working out the cost base (and reduced cost base) just after the demerger you:

- need to know the cost base of each of your Mayne shares just before the demerger (this means you need to take into account any other CGT events that happened after you acquired the shares, but before the demerger, if they affected the cost base) - for example, reducing the cost base of a share by \$1.00 to reflect the return of capital made by Mayne in 1999
- do not reduce the cost base of your Mayne shares by the \$2.49 per share return of capital associated with the demerger of MPL
- ignore any pre-CGT shares you have (the calculations are done only for your post-CGT shares), and
- retain these details so that you can work out your capital gains and capital losses when you sell these shares.

6. What happens if I sell some or all of my Mayne or MPL shares after the demerger?

If you sell any Mayne or MPL shares after the demerger, you calculate any capital gain or capital loss using the normal rules and the cost base you worked out for each share under question 5 or 6 above. You include the capital gain or loss when calculating your net capital gain, or net capital loss, for the year in which you sell the shares.

Any capital gain or capital loss resulting from the sale of your pre-CGT Mayne or MPL shares is ignored, and does not need to be included when calculating your net capital gain or net capital loss.

7. Can I use the CGT discount method for working out the capital gain on my Mayne and MPL shares?

If you have owned your Mayne shares for at least 12 months, you can use the discount method in working out your capital gain when you sell those Mayne shares.

If you have owned post-CGT Mayne shares for at least 12 months, and you sell the corresponding MPL shares which you received for those Mayne shares, you can also use the discount method in calculating your capital gain.

If you owned pre-CGT Mayne shares for which you received MPL shares, and you did not elect rollover, you can only use the discount method to work out your capital gain on these MPL shares if you sell them after 30 November 2006 (that is, at least 12 months after the demerger).

8. Can I work out my CGT consequences using the demergers calculator on the Tax Office website?

Yes, you can work out your CGT consequences from the Mayne demerger by using the Demergers calculator.

What to read/do next

Class Ruling CR 2005/83W - Income tax: demerger of Mayne Pharma Limited by Mayne Group Limited

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