

## Making a choice to consolidate and notifying

### Key points

The choice to consolidate is irrevocable and must:

- include all eligible members of a group, and
- be made in writing.

The head company can make the choice in writing up until the day it lodges its income tax return for the income year in which the day specified in the choice occurs (or if a return is not required, the date it would otherwise be due).

The head company must notify the ATO using the approved notification form within the same time period as applies for making the choice in writing.

Notification can be submitted online or on paper.

Changes to group membership and cessation of the consolidated group must also be notified.

### Effects of choice to consolidate

A consolidated group is created when a head company of a consolidatable group makes a choice in writing that it is forming a consolidated group from a particular date and notifies the Commissioner of the choice in the approved form. → 'Choice in writing', C7-1-110

### One in, all in

Consolidation works on a 'one in, all in' basis – that is, it is binding on all eligible members of the group. When a choice is made to consolidate, all eligible members of the consolidatable group will become members of the consolidated group. There are special rules for MEC groups.

### Consolidation cannot be revoked

The choice to consolidate cannot be revoked and the date specified in the written choice cannot be amended.

In general, a consolidated group will continue to exist as long as the head company remains eligible to be the head company. It is not affected by changes in the membership of the group. A consolidated group may at times consist solely of a head company.

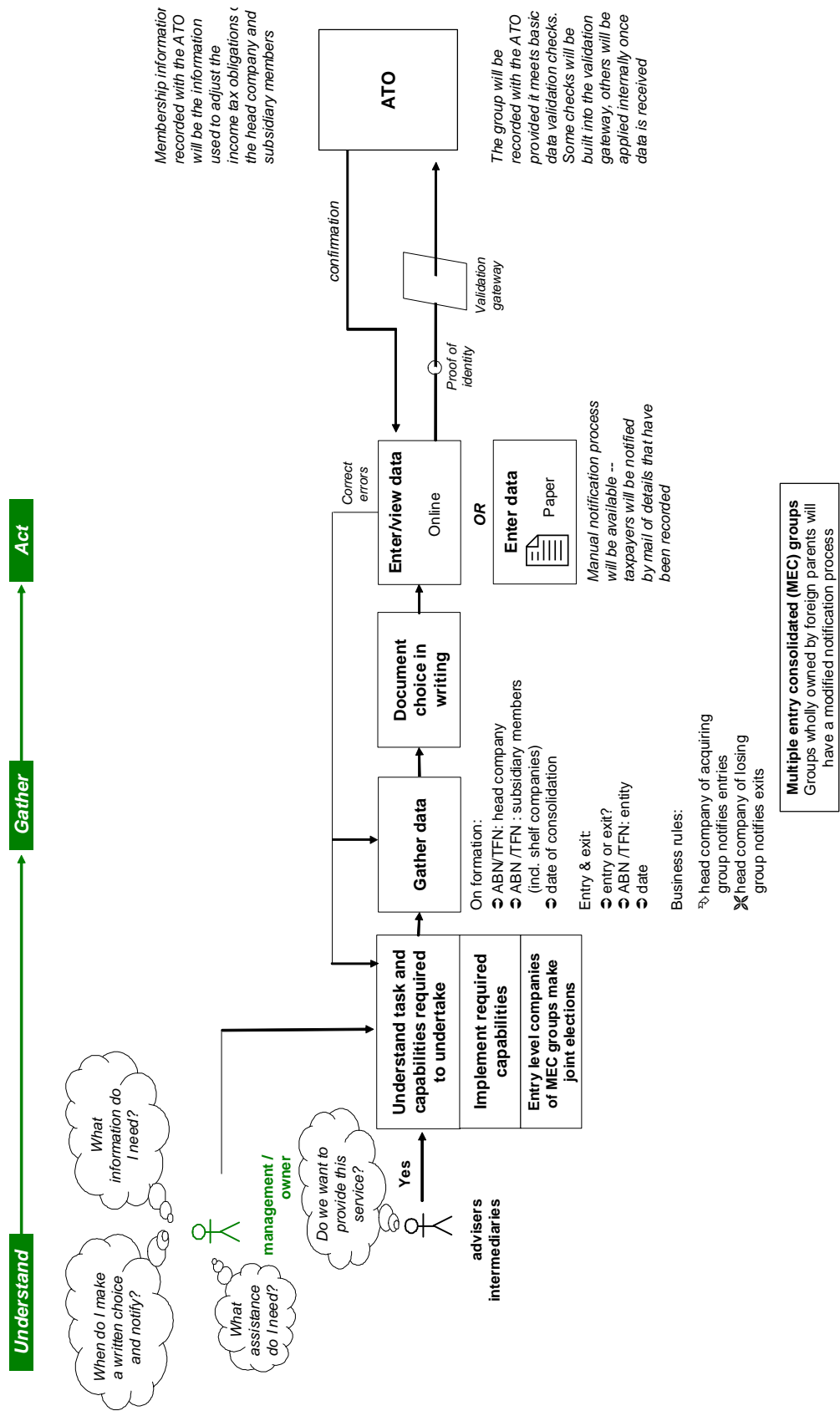
A consolidated group will cease to exist if the head company ceases to be a head company; for example, by becoming a subsidiary member of another consolidated group.

### Note

Income tax liability of members

Each member of a consolidated group remains liable for income tax for periods in the income year in which it is not a subsidiary member of a consolidated group. If the date of consolidation is not the start of the subsidiary member's income year (usually 1 July), the subsidiary members of the group may need to lodge their own income tax returns to report the tax liability relating to periods that were not covered by the consolidation arrangements.

Figure 1: Consolidation pathway – making a choice and notifying status



## Head company to notify ATO

The head company must notify the ATO of its choice to consolidate on the approved notification form. This enables the ATO to adjust its records of liability and reporting obligations for the entities in the consolidated group.

→ 'Consolidated groups – notices to be given to the Commissioner', C7-1-120

## MEC groups

In the case of a foreign-owned MEC group, the eligible tier-1 companies forming the group are required to jointly make a choice in writing and to choose the date on which the MEC group is to form. The head company of the MEC group is responsible for notifying the ATO of this choice.

→ 'Multiple entry consolidated (MEC) groups', C10-1; 'MEC groups – notices to be given to the Commissioner', C10-1-110

### Note

Transitional rules: setting asset values

If a group consolidates before 30 June 2004 and qualifies as a transitional group, it can take advantage of the transitional rules for determining asset values.

Transitional rules provide that assets may retain their existing costs for tax purposes on a subsidiary-by-subsidary basis, rather than needing to use cost setting rules across the group.

To qualify as a transitional group, the group must have at least one transitional entity.

→ 'Transitional entities and chosen transitional entities', C2-4-105; 'Treatment of assets', C2-1

## Make a choice and notify by lodgment date of income tax return

The head company can make the choice to consolidate at any time up to the date of lodgment of its income tax return for the income year in which the choice is to have effect – or, if a return is not required, the date it would have otherwise been due.

The ATO must be notified of the choice to consolidate within the same time period as applies to making the choice. Note that, while there is no legal requirement to do so, making the notification two to three weeks before the head company lodges its return will allow the ATO to update the group's tax records and ensure the return is correctly processed.

### Example

Making the choice to consolidate and notifying the ATO

A consolidatable group exists consisting of a head company, Head Company Pty Ltd, and three wholly-owned subsidiary members. On 15 August 2010, Head Company makes a written choice to consolidate, effective from 1 July 2009. In September 2010, Head Company notifies the ATO of the formation of the group. Head Company lodges a consolidated income tax return for the income year ending 30 June 2010 on 15 December 2010 and begins reporting and paying consolidated PAYG instalments from the March quarter due 21 April 2011.

The consolidated group is treated as a single entity for income tax purposes for the 2009-10 income year.

## Notifying changes to group membership

The head company or the head company's former public officer (if the company no longer exists) is required to notify the ATO of the following events:

- an entity becoming a subsidiary member of the consolidated group
- an entity ceasing to be a subsidiary member of the consolidated group, or
- a consolidated group ceasing to exist.

Generally, the event must be notified within 28 days; however, if an entity joins or leaves the group before the choice to consolidate is notified to the ATO, the information about the change in membership must be included in the choice notification. → 'Changing group membership', B3-5

## How to notify

Notifications must be made on the approved ATO forms.

→ 'Consolidated groups – notices to be given to the Commissioner', C7-1-120;

'MEC groups – notices to be given to the Commissioner', C10-1-110

When the notification has been processed, a letter will be sent to the head company at its postal address confirming receipt of the notification and the date of consolidation, and listing the subsidiary members as included in the notification.

### Revision history

Section B3-1 first published (excluding drafts) 2 December 2002 and updated 28 May 2003.

Further revisions are described below.

Date	Amendment	Reason
14.7.04	Note on recent changes to the consolidation rules.	Legislative amendments.
6.5.11	Extensively revised to reflect changes to the choice and notification provisions.	Legislative amendments.