

## Worked example

## A consolidated group is created from a MEC group

**Description** This example explains the conditions under which a consolidated group is created from a multiple entry consolidated (MEC) group.

**Commentary** A consolidated group is created from a MEC group where the MEC group has a single eligible tier-1 company (which is the provisional head company) and that company fails to satisfy the conditions for continuing as an eligible tier-1 company but satisfies the conditions to be a head company of a consolidated group. → 'Choosing', B1-1

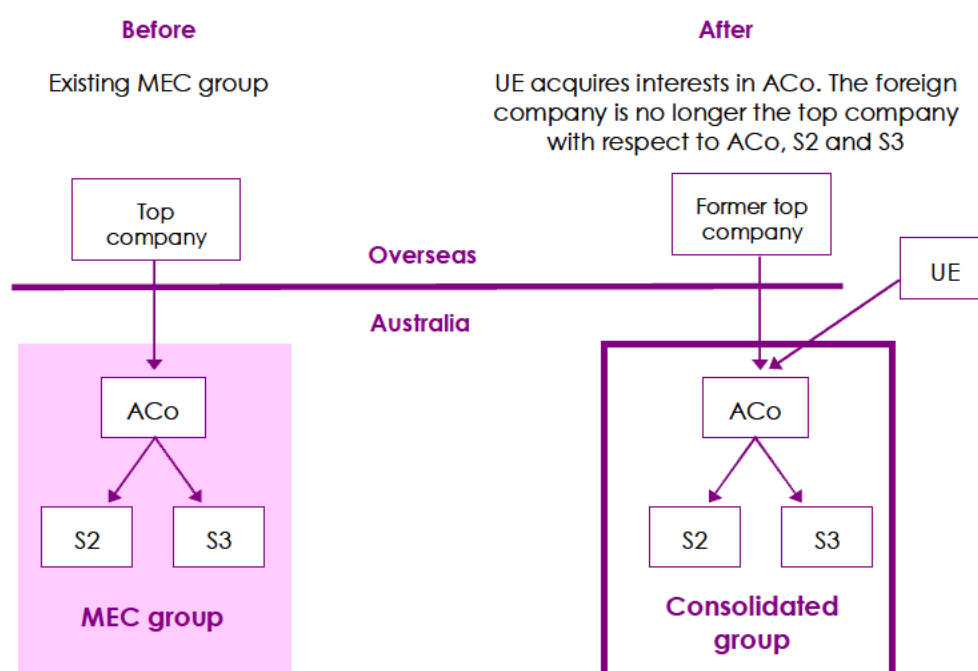
The company becomes the head company of the consolidated group, and the subsidiary members of the MEC group (if any) become subsidiary members of the consolidated group.

→ 'Group conversions', C10-1-210

**Example** Figure 1 shows a MEC group where the provisional head company, ACo, no longer qualifies as an eligible tier-1 company due to some of its membership interests being acquired by UE, an unrelated entity. Because there are no other eligible tier-1 companies, the MEC group ceases to exist.

However, as ACo is eligible to be its head company, the group will become a consolidated group, with all the subsidiary members of the MEC group (S2 and S3) becoming subsidiary members of the consolidated group.

**Figure 1: Conversion of MEC group to consolidated group**



## References

*Income Tax Assessment Act 1997*, sections 703-55; as amended by *New Business Tax System (Consolidation) Act (No. 1) 2002* (No. 68 of 2002), Schedule 1

Explanatory Memorandum to the New Business Tax System (Consolidation) Bill (No. 1) 2002, paragraphs 3.13 and 3.14

*Income Tax Assessment Act 1997*, Subdivision 719-BA; as inserted by *Tax Laws Amendment (2010 Measures No. 1) Act 2010* (No. 56 of 2010), Schedule 5, Part 2

Explanatory Memorandum to Tax Laws Amendment (2010 Measures No. 1) Bill 2010, paragraphs 5.65 – 5.100 and 5.105 – 5.108

### Revision history

Section C10-2-140 first published (excluding drafts) 2 December 2002.

Further revisions are described below.

Date	Amendment	Reason
26.10.05	Minor changes.	For clarification.
6.5.11	Revisions to reflect changes to the cost setting rules when groups convert.	Legislative amendments.