



Class Ruling

Income tax: Accenture Group reorganisation – scrip for scrip roll-over: exchange of Accenture Limited shares for equivalent Accenture plc shares

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❶ This publication provides you with the following level of protection:

This publication (excluding appendixes) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

What this Ruling is about

1. This Ruling sets out the Commissioner's opinion on the way in which the relevant provision(s) identified below apply to the defined class of entities, who take part in the scheme to which this Ruling relates.

Relevant provision(s)

2. The relevant provisions dealt with in this Ruling are:

- section 104-25 of the *Income Tax Assessment Act 1997* (ITAA 1997);
- section 109-10 of the ITAA 1997;
- section 110-25 of the ITAA 1997;
- section 110-55 of the ITAA 1997;
- Subdivision 115-A of the ITAA 1997;
- section 116-20 of the ITAA 1997; and
- Subdivision 124-M of the ITAA 1997.

All subsequent legislative references in this Ruling are to the ITAA 1997 unless otherwise stated.

Class of entities

3. The class of entities to whom this Ruling applies consists of the shareholders of Accenture Limited (AL) who:

- (a) acquired their whole AL Class A common shares (whole AL Class A shares) and/or AL Class X common shares (AL Class X shares) on or after 20 September 1985;
- (b) held their whole AL Class A shares and/or their AL Class X shares on capital account at the time of the scheme;
- (c) exchanged their:
 - whole AL Class A shares for Accenture Public Limited Company (Accenture plc) Class A ordinary shares (Accenture plc Class A shares); and/or
 - AL Class X shares for Accenture plc Class X ordinary shares (Accenture plc Class X shares);
- (d) were 'residents of Australia' as defined in subsection 6(1) of the *Income Tax Assessment Act 1936* on the scheme implementation date;
- (e) were not 'significant stakeholders' or 'common stakeholders' within the meaning of these expressions in Subdivision 124-M of the ITAA 1997; and
- (f) were not subject to the taxation of financial arrangement rules in Division 230 of the ITAA 1997 in relation to gains and losses on their whole AL Class A shares and/or AL Class X shares.

(Note – Division 230 will generally not apply to individuals, unless they have made an election for it to apply to them.)

In this ruling, an entity belonging to this class of entities is referred to as an 'AL shareholder'.

Qualifications

4. The Commissioner makes this Ruling based on the proposed scheme precisely identified in this Ruling.

5. The class of entities defined in this Ruling may rely on its contents provided the scheme actually carried out is carried out in accordance with the scheme described in paragraphs 9 to 23 of this Ruling.

6. If the scheme actually carried out is materially different from the scheme that is described in this Ruling, then:

- this Ruling has no binding effect on the Commissioner because the scheme entered into is not the scheme on which the Commissioner has ruled; and
- this Ruling may be withdrawn or modified.

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Date of effect

8. This Ruling applies from 1 July 2009 to 30 June 2010. The Ruling continues to apply after 30 June 2010 to all entities within the specified class who entered into the specified scheme during the term of the Ruling. However, this Ruling will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Ruling (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

Scheme

9. The following description of the scheme is based on information provided by the applicant. The following documents, or relevant parts of them form part of and are to be read with the description:

- Class Ruling application dated 11 August 2010; and
- correspondence from the applicant received on 5 October 2010 and 17 November 2010.

Note: certain information has been provided on a commercial-in-confidence basis and will not be disclosed or released under Freedom of Information legislation.

Overview

10. The scheme that is the subject of this Ruling involves a change to the corporate structure and reorganisation of the Accenture group of companies.

Relevant entities

Accenture Limited (AL)

11. AL was incorporated in 2001 and was a tax resident of Bermuda prior to the scheme that is the subject of this Ruling. Until 1 September 2009 AL Class A shares were listed on the New York Stock Exchange (NYSE).

12. AL was, prior to the scheme, the ultimate holding company of the Accenture group of companies.

13. AL had, prior to the scheme, the following classes of shares issued:

- whole AL Class A shares;
- AL Class X shares; and
- fractional Class A common shares.

14. As at 19 June 2009, AL had over 671 million whole AL Class A shares on issue and approximately 57 million of those were held by subsidiaries of AL. AL also had over 99 million AL Class X shares on issue.

Accenture plc

15. Accenture plc was incorporated on 10 June 2009 and is a tax resident of the Republic of Ireland.

16. At the time of incorporation, Accenture plc was a wholly owned subsidiary of AL.

Restructure

17. The corporate restructure of the Accenture group of companies involved the interposition of Accenture plc as the new holding company of the Accenture group pursuant to a scheme of arrangement under the Bermuda *Companies Act 1981* (the Scheme).

18. The Scheme was subject to the approval of AL shareholders and the Supreme Court of Bermuda.

19. On 31 August 2009, all fractional AL Class A common shares were cancelled. AL shareholders who held fractional AL Class A common shares received a cash amount which was calculated based on the average of the high and low trading prices of whole AL Class A shares on the NYSE on the business day immediately preceding the effective date of the Accenture Ltd Scheme of Arrangement (the taxation consequences of cash payment are not considered in this Ruling).

20. Under the Scheme and just before the transaction time being 9:00am on 1 September 2009:

- Accenture plc acquired its own outstanding ordinary shares held by AL and its nominees for no consideration;
- all whole AL Class A shares were cancelled;
- AL shareholders were allotted one Accenture plc Class A share for every one whole AL Class A share cancelled;
- all AL Class X shares were cancelled;
- AL shareholders were allotted one Accenture plc Class X share for every one AL Class X share cancelled; and
- AL issued new Class A shares of AL to Accenture plc such that Accenture plc became the ultimate holding company of the Accenture group.

21. As a result of the Scheme, AL became a wholly owned subsidiary of Accenture plc.

Other matters

22. After the implementation of the Scheme, all whole AL Class A shares and fractional Class A common shares were de-listed from the NYSE. Accenture plc Class A ordinary shares were listed on NYSE on 1 September 2009.

23. AL was liquidated on 29 December 2009.

Ruling

Cancellation of whole AL Class A shares and AL Class X shares

24. CGT event C2 happened when an AL shareholder's whole AL Class A share or AL Class X share was cancelled under the scheme described in this Ruling. The time of the event was the scheme implementation date, 1 September 2009 (subsection 104-25(1) and paragraph 104-25(2)(b)).

Capital gain or capital loss

25. An AL shareholder made a capital gain from CGT event C2 happening if the capital proceeds from the cancellation of their whole AL Class A share or AL Class X share exceeded its cost base. An AL shareholder made a capital loss if the capital proceeds were less than the reduced cost base of the cancelled whole AL Class A share or AL Class X share (subsection 104-25(3)).

Capital proceeds

26. The capital proceeds for each whole AL Class A share or AL Class X share cancelled was the market value of the Accenture plc Class A share or Accenture plc Class X share received in respect of CGT event C2 happening, worked out at the time of the CGT event (subsection 116-20(1)).

If a capital loss was made

27. If an AL shareholder made a capital loss from the cancellation of a whole AL Class A share or AL Class X share, they cannot choose scrip for scrip roll-over under Subdivision 124-M (subsection 124-780(3)).

If a capital gain was made

28. Subject to the qualification in paragraph 29 of this Ruling, an AL shareholder who made a capital gain from the cancellation of their whole AL Class A share or AL Class X share may choose scrip for scrip roll-over under Subdivision 124-M (section 124-780).

29. Scrip for scrip roll-over cannot be chosen if any capital gain the AL shareholder might make from the replacement Accenture plc Class A share or Accenture plc Class X share would be disregarded, except because of a roll-over (subsection 124-795(2)).

If scrip for scrip roll-over is chosen

30. If an AL shareholder chooses scrip for scrip roll-over, the capital gain made from the cancellation of a whole AL Class A share or AL Class X share is disregarded (subsection 124-785(1)).

If scrip for scrip roll-over is not chosen

31. If an AL shareholder does not choose scrip for scrip roll-over, the capital gain made from the cancellation of a whole AL Class A share or AL Class X share is not disregarded.

Discount capital gain

32. AL shareholders who made a capital gain where roll-over is not chosen or cannot be chosen, may be eligible to treat the gain as a 'discount capital gain' provided that they satisfy the requirements of Subdivision 115-A.

Cost base of Accenture plc shares***If scrip for scrip is chosen***

33. Where scrip for scrip roll-over is chosen, the first element of the cost base and reduced cost base of each Accenture plc Class A share or Accenture plc Class X share is worked out by reasonably attributing to it the cost base of the whole AL Class A share or AL Class X share exchanged for the relevant Accenture plc Class A share or Accenture plc Class X share (subsections 124-785(2) and 124-785(4)).

If scrip for scrip is not chosen, or cannot be chosen

34. Where scrip for scrip roll-over is not chosen, or cannot be chosen, the first element of the AL shareholder's cost base and reduced cost base of each Accenture plc Class A share or Accenture plc Class X share received is equal to the market value of the whole AL Class A share or AL Class X share exchanged for the relevant Accenture plc Class A share or Accenture plc Class X share worked out as at the time of the acquisition (subsection 110-25(2) and subsection 110-55(2)).

Acquisition date of Accenture plc Class A shares or Accenture plc Class X shares

35. AL shareholders acquired their Accenture plc Class A shares or Accenture plc Class X shares on the date those shares were issued to each AL shareholder, that is 1 September 2009 (item 2 of the table in section 109-10).

36. However, for the purposes of determining eligibility to a discount capital gain, AL shareholders who choose scrip for scrip roll-over are taken to have acquired their Accenture plc Class A shares or Accenture plc Class X shares when they acquired the corresponding whole AL Class A shares or AL Class X shares (item 2 of the table in subsection 115-30(1)).

Appendix 1 – Explanation

❶ *This Appendix is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

37. The tax consequences and relevant legislative provisions that arise concerning the scheme that is the subject of this Ruling are outlined in the Ruling part of this document.

38. The significant tax consequence is the availability of scrip for scrip roll-over under Subdivision 124-M. Scrip for scrip roll-over enables a shareholder to disregard a capital gain from a share that is disposed of as part of a corporate restructure if the shareholder receives a replacement share in the exchange. It also provides special rules for calculating the cost base and reduced cost base of the replacement share.

39. Subdivision 124-M contains a number of conditions for, and exceptions to, a shareholder being eligible to choose scrip for scrip roll-over. The main conditions and exceptions that are relevant to the circumstances of the corporate restructure of the Accenture group are:

- (a) shares in a company are exchanged for shares in another company;
- (b) the exchange occurs as part of a single arrangement;
- (c) conditions for roll-over are satisfied;
- (d) further conditions are not applicable or are satisfied; and
- (e) exceptions to obtaining scrip for scrip roll-over are not applicable.

40. Under the scheme the conditions for roll-over under Subdivision 124-M are satisfied.

Appendix 2 – Detailed contents list

41. The following is a detailed contents list for this Ruling:

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References

Previous draft:

Not previously issued as a draft

Related Rulings/Determinations:

TR 2006/10

Subject references:

- arrangement
- CGT capital proceeds
- CGT cost base
- scrip for scrip roll-over

Legislative references:

- ITAA 1936 6(1)
- ITAA 1997
- ITAA 1997 104-25
- ITAA 1997 104-25(1)
- ITAA 1997 104-25(2)(b)
- ITAA 1997 104-25(3)
- ITAA 1997 109-10

- ITAA 1997 110-25
- ITAA 1997 110-25(2)
- ITAA 1997 110-55
- ITAA 1997 110-55(2)
- ITAA 1997 115-30(1)
- ITAA 1997 116-20(1)
- ITAA 1997 Subdiv 115-A
- ITAA 1997 Subdiv 124-M
- ITAA 1997 128-780
- ITAA 1997 124-780(3)
- ITAA 1997 124-785(1)
- ITAA 1997 124-785(2)
- ITAA 1997 124-785(4)
- ITAA 1997 124-795(2)
- ITAA 1997 Division 230
- TAA 1953
- Copyright Act 1968
- Companies Act 1981 (Bermuda)

ATO references

NO: 1-295JZJR

ISSN: 1445-2014

ATOlaw topic: Income Tax ~~ Capital Gains Tax ~~ CGT events C1 to C3 – end of a CGT asset
Income Tax ~~ Capital Gains Tax ~~ roll-overs – scrip for scrip