



Class Ruling

Aon plc – exchange of shares for Aon Ireland shares

❶ Relying on this Ruling

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

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

Further, if we think that this Ruling disadvantages you, we may apply the law in a way that is more favourable to you.

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What this Ruling is about

1. This Ruling sets out the income tax consequences for Australian resident shareholders of Aon plc who had their shares in UK-domiciled Aon plc exchanged for shares in Irish-domiciled Aon plc (Aon Ireland) on 1 April 2020.
2. Full details of this business reorganisation and share exchange are set out in paragraphs 19 to 32 of this Ruling.
3. All legislative references are to provisions of the *Income Tax Assessment Act 1997* (ITAA 1997) unless otherwise indicated.

Who this Ruling applies to

4. This Ruling applies to you if you:
 - acquired your Aon plc Class A ordinary shares (Aon plc shares) on or after 20 September 1985
 - participated in the exchange of your Aon plc shares for Aon Ireland Class A ordinary shares (Aon Ireland shares) on 1 April 2020
 - held your Aon plc shares on capital account; that is, you did not hold your Aon plc shares as revenue assets (as defined in section 977-50) nor as trading stock (as defined in subsection 995-1(1))

- were a resident of Australia as defined in subsection 6(1) of the *Income Tax Assessment Act 1936* and not a 'temporary resident' within the meaning of that expression in subsection 995-1(1) at the time the scheme was implemented, and
- are not 'significant stakeholders' or 'common stakeholders' within the meaning of those expressions in Subdivision 124-M at the time of the scheme.

5. This Ruling does not apply to anyone who is subject to the taxation of financial arrangements rules in Division 230 in relation to the scheme outlined in paragraphs 19 to 32 of this Ruling.

Note: Division 230 will not apply to individuals, unless they have made an election for it to apply.

When this Ruling applies

6. This Ruling applies from 1 July 2019 to 30 June 2020.

Ruling

Cancellation of Aon plc shares – CGT event C2

7. CGT event C2 happened to each of your Aon plc shares that were cancelled under the scheme described in this Ruling (subsection 104-25(1)).

8. The time of CGT event C2 was when the Aon plc shares were cancelled as part of the scheme, being on 1 April 2020 (subsection 104-25(2)).

9. The capital proceeds in respect of CGT event C2 happening were the market value of the Aon Ireland share you received as consideration for each Aon plc share you held that was cancelled (subsection 116-20(1)). The market value of the Aon Ireland share you received was worked out at the time of CGT event C2 (paragraph 116-20(1)(b)).

10. You made a capital gain from CGT event C2 happening if the capital proceeds from the cancellation of an Aon plc share exceeded the cost base of that share. The capital gain is the amount of the excess (subsection 104-25(3)).

11. You made a capital loss from CGT event C2 happening if the capital proceeds from the cancellation of an Aon plc share were less than the reduced cost base of that share. The capital loss is the amount of the difference (subsection 104-25(3)).

Availability of scrip for scrip roll-over if a capital gain is made

12. Subject to the qualification in paragraph 13 of this Ruling, if you made a capital gain from the cancellation of an Aon plc share, you may choose scrip for scrip roll-over under Subdivision 124-M (section 124-780). Scrip for scrip roll-over is not available for a capital loss.

13. Scrip for scrip roll-over cannot be chosen if any capital gain you made from the replacement Aon Ireland share would be disregarded (except because of a roll-over) (paragraph 124-795(2)(a)).

Consequences if scrip for scrip roll-over is chosen

14. If scrip for scrip roll-over is chosen, the capital gain you made on your Aon plc share being cancelled is disregarded (subsection 124-785(1)).
15. The first element of the cost base and reduced cost base of each Aon Ireland share you acquired under the scheme is worked out by reasonably attributing to it the cost base of the corresponding Aon plc share (subsections 124-785(2) and 124-785(4)).
16. Accordingly, the first element of the cost base (or reduced cost base) of each of Aon Ireland share you received as a result of the scheme will be equal to the cost base of the Aon plc share exchanged for the relevant Aon Ireland share.

Acquisition date of Aon Ireland shares

17. You acquired your Aon Ireland share on 1 April 2020 being the date the share was issued to you as part of the scheme (table item 2 of section 109-10).
18. However, for the purposes of determining whether a capital gain made from any later disposal of your Aon Ireland share is eligible to be treated as a discount capital gain, if you chose scrip for scrip roll-over, you are taken to have acquired your Aon Ireland share when you acquired the corresponding Aon plc share (table item 2 of subsection 115-30(1)).

Scheme

19. The following description of the scheme is based on information provided by the applicant. If the scheme was not carried out as described, this Ruling cannot be relied upon.

Aon plc

20. Aon plc is part of the Aon group of companies (Aon Group).
21. Aon plc is a resident of the United Kingdom (UK) (registered number 07876075) and was a widely-held public company limited by shares listed on the New York Stock Exchange (NYSE).
22. Prior to the reorganisation being implemented (as described in paragraphs 26 to 32 of this Ruling), Aon plc was the ultimate parent company of the Aon Group.
23. Aon plc is a leading global professional services firm providing a broad range of risk, retirement and health solutions.

Aon Ireland

24. Aon Ireland is a resident of Ireland (company number 604607) that was incorporated for the purpose of becoming the new ultimate parent company of the Aon Group.
25. Following the reorganisation on 1 April 2020 (as described in paragraphs 26 to 32 of this Ruling), Aon Ireland became the new publicly-traded company limited by shares listed on the NYSE.

Reorganisation of the Aon Group

26. On 29 October 2019, Aon plc filed a preliminary proxy statement and announced a proposal to move the jurisdiction of incorporation for the Aon Group's parent company from the UK to Ireland (reorganisation).

27. On 4 February 2020, at a special court-ordered meeting of shareholders and a related general meeting of Aon plc shareholders, the proposal to move holding shares from Aon plc to Aon Ireland (the new Irish-domiciled parent company of the Aon Group) was approved by Aon shareholders.

28. On 1 April 2020, Aon plc announced that it had completed the move of the jurisdiction of incorporation of its ultimate parent company from the UK to Ireland. The reorganisation was undertaken by way of a Scheme of Arrangement to acquire an Irish company in the form of a cancellation scheme. In accordance with this reorganisation, Aon Ireland became the new ultimate parent company of the Aon Group.

29. As a result of the reorganisation, on 1 April 2020:

- the existing shares in Aon plc were cancelled and you ceased to own Aon plc shares
- Aon plc issued new shares to Aon Ireland (new Aon UK shares)
- Aon Ireland issued Aon Ireland shares on a one-for-one basis to those who held Aon plc shares at the scheme record time, being 6pm London time on 1 April 2020
- Aon Ireland shares were listed on the NYSE and traded under the symbol 'AON'
- for each Aon plc share you held at the scheme record time, you received one Aon Ireland share, and
- the rights attached to the Aon Ireland shares were for all practical purposes the same as the rights that were attached to the Aon plc shares.

30. On 2 April 2020, Aon Ireland transferred all the new Aon UK shares to Randolph Finance Unlimited Company (Randolph Finance) in return for shares in Randolph Finance.

31. The result of the reorganisation is that Aon Ireland became the new ultimate parent company of the Aon Group, with Randolph Finance becoming a wholly-owned subsidiary of Aon Ireland and Aon plc becoming a wholly-owned subsidiary of Randolph Finance.

32. The Aon Group headquarters have remained operating in London, and Aon Ireland continues to conduct the same business operations as were conducted by Aon plc prior to the reorganisation.

Appendix – Explanation

ⓘ *This Explanation 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.*

Availability of scrip for scrip roll-over under Subdivision 124-M if a capital gain is made

33. Scrip for scrip roll-over under Subdivision 124-M enables a shareholder to disregard a capital gain from a share that is disposed of if the shareholder receives a replacement share in exchange. It also provides special rules for calculating the cost base of the replacement share.

34. 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 requirements that are relevant to the scheme that is the subject of this Ruling are:

- an entity exchanges shares in a company for shares in another company (paragraph 124-780(1)(a))
- the exchange is in consequence of a single arrangement that satisfies subsections 124-780(2) or (2A)
- conditions for the roll-over in subsection 124-780(3) are satisfied
- further conditions, if applicable, are satisfied, and
- exceptions to obtaining scrip for scrip roll-over are not applicable.

35. The reorganisation of the Aon Group satisfied the requirements for scrip for scrip roll-over to be chosen under Subdivision 124-M if a capital gain is made.

References

Previous draft:

Not previously issued as a draft

Related Rulings/Determinations:

TR 2006/10

Legislative references:

- ITAA 1936 6(1)
- ITAA 1997 104-25(1)
- ITAA 1997 104-25(2)
- ITAA 1997 104-25(3)
- ITAA 1997 109-10
- ITAA 1997 115-30(1)
- ITAA 1997 116-20
- ITAA 1997 116-20(1)
- ITAA 1997 116-20(1)(b)
- ITAA 1997 Subdiv 124-M
- ITAA 1997 124-780
- ITAA 1997 124-780(1)(a)
- ITAA 1997 124-780(2)
- ITAA 1997 124-780(2A)
- 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)(a)
- ITAA 1997 Div 230
- ITAA 1997 977-50
- ITAA 1997 995-1(1)
- TAA 1953

ATO references

NO: 1-LO6KFPV

ISSN: 2205-5517

BSL: PGI

ATOlaw topic: Income tax ~~ Capital gains tax ~~ Capital proceeds
Income tax ~~ Capital gains tax ~~ Cost base and reduced cost base
Income tax ~~ Capital gains tax ~~ Discount capital gains

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