Status: **legally binding**

Class Ruling

WEB Travel Group Limited – demerger of Webjet Group Limited

Relying on this Ruling

This publication 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.

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What this Ruling is about

1. This Ruling sets out the income tax consequences of the demerger of Webjet Group Limited (Webjet B2C) by WEB Travel Group Limited (WEB Travel) which was implemented on 30 September 2024 (Implementation Date).

2. Details of this scheme are set out in paragraphs 32 to 61 of this Ruling.

3. All legislative references in this Ruling are to the *Income Tax Assessment Act 1997*, unless otherwise indicated.

Who this Ruling applies to

4. This Ruling applies to you if you held shares in WEB Travel and you:

- were registered on the WEB Travel share register on 24 September 2024 (Record Date)
- you did not hold your shares in WEB Travel as 'revenue assets' (as defined in section 977-50) or as 'trading stock' (as defined in subsection 995-1(1)) on the Record Date – that is, you held your shares on capital account, and
- did not acquire your shares in WEB Travel under an employee share scheme (as defined in section 83A-10).

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 32 to 61 of this Ruling.

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

Status: **legally binding**

When this Ruling applies

6. This Ruling applies from 1 July 2024 to 30 June 2025.

Ruling

Demerger happened

7. A demerger (as defined in section 125-70) happened to the WEB Travel demerger group (which included WEB Travel and Webjet B2C) under the scheme described in paragraphs 32 to 61 of this Ruling.

Capital gains tax consequences – Australian resident shareholders

CGT event G1

8. CGT event G1 happened when you were paid an amount by WEB Travel in respect of your WEB Travel shares by way of the transfer to you of Webjet B2C shares on the Implementation Date (section 104-135).

9. You made a capital gain from CGT event G1 happening if the amount of the reduction of share capital for each WEB Travel share (31c) was more than the cost base of the WEB Travel share. If so, the capital gain is equal to the amount of the excess. No capital loss can be made from CGT event G1 (subsection 104-135(3)).

Demerger roll-over is available

10. You can choose to obtain demerger roll-over under subsection 125-55(1) for your WEB Travel shares.

Choosing demerger roll-over

11. If you choose demerger roll-over for your WEB Travel shares:

- any capital gain you made when CGT event G1 happened to your WEB Travel shares under the demerger is disregarded (subsection 125-80(1)), and
- you must recalculate the first element of the cost base and reduced cost base of your WEB Travel shares, and calculate the first element of the cost base and reduced cost base of the corresponding Webjet B2C shares you acquired under the demerger (subsection 125-80(2)) – see paragraphs 13 to 15 of this Ruling for more details.

Not choosing demerger roll-over

12. If you do not choose demerger roll-over for your WEB Travel shares, you:

- cannot disregard any capital gain you made when CGT event G1 happened to your WEB Travel shares under the demerger, and
- must recalculate the first element of the cost base and reduced cost base of your WEB Travel shares, and calculate the first element of the cost base and reduced cost base of the corresponding Webjet B2C shares you

acquired under the demerger (subsections 125-85(1) and (2)) – see paragraphs 13 to 15 of this Ruling for more details.

Cost base and reduced cost base of your shares in WEB Travel Group Limited and Webjet Group Limited

13. The first element of the cost base and reduced cost base of each WEB Travel share and corresponding Webjet B2C share is worked out by:

- taking the total of the cost bases of your WEB Travel shares just before the demerger, and
- apportioning that total between your WEB Travel shares and the Webjet B2C shares you acquired under the demerger.

14. The apportionment is done on a reasonable basis having regard to the market values of the WEB Travel shares and Webjet B2C shares just after the demerger or an anticipated reasonable approximation of those market values (subsections 125-80(2) and (3)).

15. We accept that a reasonable apportionment is to attribute:

- 88.64% of the total of the cost bases of your WEB Travel shares just before the demerger to the WEB Travel shares, and
- 11.36% of the total of the cost bases of your WEB Travel shares just before the demerger to the corresponding Webjet B2C shares.

Acquisition date of your shares in Webjet Group Limited for discount capital gain purposes

16. For the purpose of determining whether you can make a discount capital gain from a future CGT event that happens to a Webjet B2C share you acquired under the demerger, you will be taken to have acquired the Webjet B2C share on the date you acquired, for capital gains tax purposes, the corresponding WEB Travel share (table item 2 of subsection 115-30(1)). This will be the case whether or not you choose demerger roll-over.

Sale of Webjet Group Limited shares by Australian resident Small Shareholders under the sale facility

17. If you are an Australian resident Small Shareholder who elected to use the sale facility, CGT event A1 happened on the Implementation Date when the Webjet B2C shares to which you were entitled were transferred to the sale agent (subsections 104-10(1) and (3)).

18. You will make a capital gain if the capital proceeds exceeded your cost base (subsection 104-10(4)). You will make a capital loss if the capital proceeds were less than your reduced cost base (subsection 104-10(4)).

19. In calculating any capital gain or capital loss:

- the capital proceeds from the disposal of each share are the proceeds remitted to you by the sale agent, and
- the first element of the cost bases and reduced cost bases of your Webjet B2C shares are worked out according to paragraphs 13 to 15 of this Ruling.

Status: **legally binding**

Capital gains tax consequences – foreign resident shareholders

CGT event G1

20. CGT event G1 happened when you were paid an amount by WEB Travel in respect of your WEB Travel shares by way of the transfer to you of Webjet B2C shares on the Implementation Date (section 104-135).

21. You made a capital gain from CGT event G1 happening if the amount of the reduction of share capital for each WEB Travel share (31c) was more than the cost base of the WEB Travel share. If so, the capital gain is equal to the amount of the excess. No capital loss can be made from CGT event G1 (subsection 104-135(3)).

22. However, any capital gain you made from CGT event G1 is disregarded unless the WEB Travel share is taxable Australian property (section 855-10). A WEB Travel share is taxable Australian property if it:

- was used by you (the foreign resident shareholder) at any time in carrying on a business through a permanent establishment in Australia (table item 3 of section 855-15), or
- is a CGT asset that is covered by subsection 104-165(3) (choosing to disregard a capital gain or capital loss on ceasing to be an Australian resident) (table item 5 of section 855-15).

Limited availability of demerger roll-over

23. If you are a foreign resident, you cannot choose to obtain demerger roll-over under subsection 125-55(1) for your WEB Travel shares unless the Webjet B2C shares you acquired under the demerger are taxable Australian property just after you acquired them (subsection 125-55(2)).

Cost base and reduced cost base of your shares in WEB Travel Group Limited and Webjet Group Limited

24. Whether or not you choose demerger roll-over, or demerger roll-over is available to you, you must work out the first element of the cost base and reduced cost base of each WEB Travel share and corresponding Webjet B2C share in the same way as described in paragraphs 13 to 15 of this Ruling (subsections 125-80(2) to (3), and 125-85(1) to (2)).

Acquisition date of the shares in Webjet Group Limited for discount capital gain purposes

25. For the purpose of determining whether you can make a discount capital gain from a future CGT event that happens to a Webjet B2C share you acquired under the demerger, you will be taken to have acquired the Webjet B2C share on the date you acquired, for CGT purposes, the corresponding WEB Travel share (table item 2 of subsection 115-30(1)). This will be the case whether or not you choose demerger roll-over.

Sale of Webjet Group Limited shares by foreign residents under the sale facility

26. If you are a foreign resident whose Webjet B2C shares were sold through the sale facility, CGT event A1 happened on the Implementation Date when the Webjet B2C shares

you were otherwise entitled to were transferred to the sale agent (subsections 104-10(1) and (3)).

27. However, any capital gain you make from CGT event A1 is disregarded unless the Webjet B2C share was taxable Australian property (section 855-10). Where your Webjet B2C share was taxable Australian property, any capital gain or capital loss arising from CGT event A1 is worked out according to paragraphs 18 to 19 of this Ruling.

Value of shares in Webjet Group Limited not included in your assessable income

28. No part of the value of a Webjet B2C share transferred to you under the demerger will be included in your assessable income under subsection 44(1) of the *Income Tax Assessment Act 1936* (ITAA 1936). Although the part of the value of a Webjet B2C share that is not debited to the share capital account of WEB Travel is a 'dividend' under subsection 6(1) of the ITAA 1936, it will be a 'demerger dividend' under subsections 44(3) to (5) of the ITAA 1936. A demerger dividend is non-assessable non-exempt income for you.

No dividend withholding tax for non-resident shareholders

29. If you are not a resident of Australia (as defined in subsection 6(1) of the ITAA 1936), no part of the value of a Webjet B2C share transferred to you under the demerger will be subject to dividend withholding tax (subsection 128B(3D) of the ITAA 1936).

Integrity provisions will not apply to deem an assessable dividend

30. We will not make a determination under subsection 45A(2) of the ITAA 1936 that section 45C of the ITAA 1936 applies in relation to the whole, or any part, of the distribution of share capital. This is because all shareholders of WEB Travel participated in the distribution of share capital based on the number of WEB Travel shares they held on the Record Date, so that there was no streaming of capital benefits.

31. As the purpose test in paragraph 45B(2)(c) of the ITAA 1936 is not satisfied, we will not make a determination under subsection 45B(3) of the ITAA 1936 that:

- section 45BA of the ITAA 1936 applies to the whole, or any part, of the demerger benefit provided to you under the demerger, or
- section 45C of the ITAA 1936 applies to the whole, or any part, of the capital benefit provided to you under the demerger.

Scheme

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

WEB Travel Group Limited

33. WEB Travel is a company that was incorporated in Australia on 13 October 1980. WEB Travel was launched on the Australian Securities Exchange (ASX) via a backdoor listing in the income year ended 30 June 2000.

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34. WEB Travel is the head company of an income tax consolidated group under Part 3-90.

35. WEB Travel is a global digital travel business trading in wholesale markets.

36. Just before the Implementation Date, WEB Travel had on issue:

- 392,530,357 fully paid ordinary shares
- 2,558,070 retention rights held by its employees representing less than 3% of the number of the total ownership interests (as defined in subsection 125-60(1)) in WEB Travel, and
- convertible notes representing less than 10% of the number of the total ownership interests in WEB Travel.

37. The ordinary shares, retention rights and convertible notes were the only ownership interests in WEB Travel.

38. Just before the Implementation Date, WEB Travel had approximately $1.08 billion credited to its share capital account.

Webjet Group Limited

39. Webjet B2C is a company that was incorporated in Australia on 15 July 2024. It is a global digital travel business trading in consumer markets.

40. Immediately before the Implementation Date, Webjet B2C had 392,530,357 fully paid ordinary shares on issue (all of which were held by WEB Travel).

Demerger of Webjet Group Limited

41. The demerger of Webjet B2C was undertaken by a reduction of share capital under section 256B of the *Corporations Act 2001*.

42. On 17 September 2024, the shareholders of WEB Travel voted at a meeting to approve an ordinary resolution under section 256C of the *Corporations Act 2001* to reduce the share capital of WEB Travel by $123.2 million as an equal capital reduction.

43. The reduction of share capital equated to 31c for each share in WEB Travel and was to be satisfied by the transfer of all of WEB Travel's shares in Webjet B2C to the shareholders of WEB Travel.

44. The date for determining the entitlement of WEB Travel shareholders to receive Webjet B2C shares was the Record Date.

45. On the Implementation Date WEB Travel shareholders received one Webjet B2C share for each WEB Travel share they held on the Record Date, and nothing else.

46. After the demerger, WEB Travel did not own any shares in Webjet B2C.

47. As a result of the demerger, WEB Travel shareholders owned shares in both WEB Travel and Webjet B2C.

48. Webjet B2C shares commenced trading on the ASX on:

- a conditional and deferred settlement basis on 23 September 2024, and
- an unconditional and normal settlement basis on 1 October 2024.

Status: **legally binding**

Accounting treatment

49. WEB Travel accounted for the demerger by debiting its:

- share capital account by $123,163,442 (capital reduction amount), and
- demerger reserve account by $241,830,900 (demerger dividend).

50. The demerger dividend was calculated as the difference between the market value of the Webjet B2C shares that were transferred and the capital reduction amount.

Reasons for the demerger

51. The directors of WEB Travel formed the opinion that the demerger would:

- create 2 independent and simplified businesses
- enhance each business' ability to pursue independent strategic priorities and growth
- ensure the ability to implement tailored capital structures and financial policies appropriate for each business' unique characteristics, and
- give existing and new shareholders the flexibility to choose their level of investment in WEB Travel and Webjet B2C on a stand-alone basis.

Sale facility for Ineligible Shareholders and electing Small Shareholders

52. A sale facility was used to sell the Webjet B2C shares that would otherwise have been received by Ineligible Shareholders, and Small Shareholders who elected to participate in the sale facility. Under the sale facility, Ineligible Shareholders and electing Small Shareholders had the Webjet B2C shares to which they were entitled sold by WEB Travel through a sale agent on the ASX who remitted the net sale proceeds to the relevant shareholders. The Webjet B2C shares of Ineligible Shareholders and electing Small Shareholders were transferred to the sale agent on the Implementation Date.

53. An Ineligible Shareholder was a shareholder whose registered address on the WEB Travel share register on the Record Date was not in:

- Australia, Hong Kong, New Zealand, Singapore, the United Kingdom, the United States of America, or
- any other jurisdiction in respect of which WEB Travel reasonably believed that it was not prohibited, and not impractical or unduly onerous, to transfer shares in Webjet B2C to the WEB Travel shareholder.

54. A Small Shareholder was a shareholder who held 500 or fewer WEB Travel shares on the Record Date.

Other matters

55. All shares in WEB Travel and Webjet B2C were acquired after 20 September 1985.

56. Immediately before the Implementation Date, less than 1% of WEB Travel's shares were held by foreign residents.

57. Immediately before the Implementation Date, WEB Travel's share capital account was not tainted (within the meaning of Division 197).

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58. WEB Travel did not elect under subsection 44(2) of the ITAA 1936 that subsections 44(3) and (4) of the ITAA 1936 will not apply to the demerger dividend for all WEB Travel shareholders.

59. Just after the demerger, CGT assets owned by Webjet B2C and its demerger subsidiaries representing at least 50% by market value of all the CGT assets owned by those entities were used in carrying on a business by those entities (subsection 44(5) of the ITAA 1936).

60. On the Implementation Date, the sum of the market values of the assets of WEB Travel that were taxable Australian real property (as defined in section 855-20) did not exceed the sum of the market values of the assets of WEB Travel that were not taxable Australian real property.

61. For the purposes of the cost base and reduced cost base apportionment under subsections 125-80(2) and (3), a reasonable approximation of the market values of a WEB Travel share and a Webjet B2C share just after the demerger has been calculated as:

- $7.26 for each WEB Travel share, being the volume-weighted average price of WEB Travel shares as traded on the ASX over the first 5 trading days from (and including) 23 September 2024, and
- 93c for each Webjet B2C share, being the volume-weighted average price of Webjet B2C shares as traded on the ASX over the first 5 trading days from (and including) 23 September 2024.

Commissioner of Taxation
30 October 2024

Status: **not legally binding**

References

Legislative references:

- ITAA 1936 6(1)
- ITAA 1936 44(1)
- ITAA 1936 44(2)
- ITAA 1936 44(3)
- ITAA 1936 44(4)
- ITAA 1936 44(5)
- ITAA 1936 45A(2)
- ITAA 1936 45B(2)(c)
- ITAA 1936 45B(3)
- ITAA 1936 45BA
- ITAA 1936 45C
- ITAA 1936 128B(3D)
- ITAA 1997 83A-10
- ITAA 1997 104-10(1)
- ITAA 1997 104-10(3)
- ITAA 1997 104-10(4)
- ITAA 1997 104-135
- ITAA 1997 104-135(3)
- ITAA 1997 104-165(3)
- ITAA 1997 115-30(1)
- ITAA 1997 125-55(1)
- ITAA 1997 125-55(2)
- ITAA 1997 125-60(1)
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- ITAA 1997 125-80(2)
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- ITAA 1997 Pt 3-90
- ITAA 1997 855-10
- ITAA 1997 855-15
- ITAA 1997 855-20
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- Corporations Act 2001 256B
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