Status: **legally binding**

Class Ruling

CW Group Holdings Limited – scrip for scrip roll-over

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.

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What this Ruling is about

1. This Ruling sets out the income tax consequences for former holders of ordinary shares in CW Group Holdings Limited (Chemist Warehouse) who disposed of their Chemist Warehouse shares to Sigma Healthcare Limited (Sigma) on 12 February 2025 (Implementation Date).

2. Details of this scheme are set out in paragraphs 29 to 51 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 Chemist Warehouse shares on 6 February 2025 (Scheme Record Date)
- received ordinary shares in Sigma as partial consideration for the disposal of your Chemist Warehouse shares on the Implementation Date as part of the scheme that is the subject of this Ruling, and
- held your Chemist Warehouse shares on capital account, that is, the shares were neither held as revenue assets (as defined in section 977-50) or as trading stock (as defined in subsection 995-1(1)).

Status: **legally binding**

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 29 to 51 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 2024 to 30 June 2025.

Ruling

CGT event A1 happened on the disposal of your CW Group Holdings Limited shares

7. CGT event A1 happened when you disposed of each of your Chemist Warehouse shares to Sigma (section 104-10).

8. The time of CGT event A1 was the Implementation Date (paragraph 104-10(3)(b)).

9. The capital proceeds from CGT event A1 happening to each Chemist Warehouse share consisted of the:

- Scheme Cash Consideration – the cash you received for disposing of the Chemist Warehouse share (paragraph 116-20(1)(a)), and
- Scheme Share Consideration – the market value (worked out at the Implementation Date) of the Sigma shares you received in respect of the disposal of the Chemist Warehouse share (paragraph 116-20(1)(b)).

10. You made a capital gain from CGT event A1 happening if the capital proceeds from the disposal of your Chemist Warehouse share were more than its cost base (subsection 104-10(4)).

11. You made a capital loss from CGT event A1 happening if the capital proceeds from the disposal of your Chemist Warehouse share were less than its reduced cost base (subsection 104-10(4)).

Foreign resident shareholders

12. If you were a foreign resident (that is, you were not a resident of Australia as defined in subsection 6(1) of the *Income Tax Assessment Act 1936*), or the trustee of a foreign trust for CGT purposes (as defined in subsection 995-1(1)), just before the Implementation Date and your Chemist Warehouse shares were not 'taxable Australian property' (as defined in section 855-15), any capital gain or capital loss you made from CGT event A1 happening when you disposed of your Chemist Warehouse shares to Sigma is disregarded (subsection 855-10(1)).

13. Your Chemist Warehouse shares were taxable Australian property if they were either:

- used by you at any time in carrying on a business through a permanent establishment in Australia (table item 3 of section 855-15), or

- covered by subsection 104-165(3) about individuals choosing to disregard a capital gain or capital loss on ceasing to be an Australian resident (table item 5 of section 855-15).

Availability of partial scrip for scrip roll-over for your CW Group Holdings Limited shares

14. Subject to the qualifications in paragraphs 15 to 17 of this Ruling, if you made a capital gain from the disposal of your Chemist Warehouse shares, you may choose to obtain partial scrip for scrip roll-over for that part of the capital gain that is attributable to the receipt of Sigma shares (sections 124-780, 124-785 and 124-790).

15. Scrip for scrip roll-over cannot be chosen if any capital gain you might make from the replacement Sigma shares would be disregarded, except because of a roll-over (paragraph 124-795(2)(a)).

16. If you were a foreign resident just before the Implementation Date, you cannot choose scrip for scrip roll-over unless your Sigma shares were taxable Australian property just after the Implementation Date (subsection 124-795(1)).

17. Any Chemist Warehouse shareholder that is a significant stakeholder (as defined in section 124-783) to which section 124-782 applies must jointly choose to obtain scrip for scrip roll-over with Sigma (paragraph 124-780(3)(d)) and must notify Sigma in writing of the cost base of their original interests just before the disposal of their Chemist Warehouse shares under the scheme (paragraph 124-780(3)(e)).

Consequences if you choose partial scrip for scrip roll-over for your CW Group Holdings Limited shares

Capital gain is partially disregarded

18. If you choose partial scrip for scrip roll-over, the part of the capital gain that is attributable to the receipt of Sigma shares is disregarded (subsections 124-785(1) and 124-790(1)).

19. Any part of the capital gain that is attributable to the receipt of Scheme Cash Consideration is not disregarded because it is 'ineligible proceeds' for which roll-over is not available (subsection 124-790(1)).

Cost base and reduced cost base of your replacement Sigma Healthcare Limited shares

20. If you choose partial scrip for scrip roll-over, the first element of the cost base and reduced cost base of each replacement Sigma share received is worked out by reasonably attributing to it the cost base and reduced cost base (respectively) of each Chemist Warehouse share for which it was exchanged and for which the roll-over was obtained (subsections 124-785(2) and (4)).

21. You will have to reduce the cost base and reduced cost base of each Chemist Warehouse share by so much of it that is attributable to the Scheme Cash Consideration you received (subsection 124-785(3)).

22. You can calculate the first element of the cost base and reduced cost base of each replacement Sigma share by dividing the aggregate cost bases of your Chemist Warehouse shares (as reduced under subsection 124-785(3) for the Scheme Cash

Consideration received) by the number of replacement Sigma shares you received (subsections 124-785(2) and (4)).

Acquisition date of your replacement Sigma Healthcare Limited shares

23. For the purposes of determining your eligibility to make a discount capital gain from any later disposal of your Sigma shares, where partial scrip for scrip roll-over is available and you choose it, you are taken to have acquired your Sigma shares when you acquired your original Chemist Warehouse shares that were exchanged for the Sigma shares (table item 2 of subsection 115-30(1)).

Consequences if you do not choose or cannot choose partial scrip for scrip roll-over for your CW Group Holdings Limited shares

Capital gain is not partially disregarded

24. If you do not choose, or cannot choose, partial scrip for scrip roll-over, you must take into account any capital gain or capital loss from CGT event A1 happening on the disposal of your Chemist Warehouse shares in working out your net capital gain or net capital loss for the income year in which CGT event A1 happened (sections 102-5 and 102-10).

25. If you made a capital gain where you do not choose, or cannot chose, partial scrip for scrip roll-over, you can apply the CGT discount provided that you held your Chemist Warehouse shares for at least 12 months before the Implementation Date (excluding the date of acquisition and the Implementation Date) (section 115-25) and the other conditions of Subdivision 115-A are met.

Cost base and reduced cost base of your replacement Sigma Healthcare Limited shares

26. If you do not choose, or cannot choose, partial scrip for scrip roll-over, the first element of the cost base and reduced cost base of each replacement Sigma share that you received is equal to the market value of the Chemist Warehouse shares given in respect of acquiring the Sigma share (subsections 110-25(2) and 110-55(2)), reduced by the proportion of the market value of the Chemist Warehouse shares that is reasonably attributable to the Scheme Cash Consideration you received (subsection 112-30(1)).

27. The market value of the Chemist Warehouse shares you gave is to be worked out as at the time when you acquired the replacement Sigma shares which is on the Implementation Date (paragraph 110-25(2)(b) and subsection 110-55(2)).

Acquisition date of your replacement Sigma Healthcare Limited shares

28. If you do not choose, or cannot choose, partial scrip for scrip roll-over, the acquisition date of the Sigma shares is the date you were issued the shares, being the Implementation Date (table item 2 of section 109-10).

Status: **legally binding**

Scheme

29. 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.

CW Group Holdings Limited

30. Chemist Warehouse is a company that was incorporated in Australia on 17 October 2019.

31. Chemist Warehouse is the head company of an income tax consolidated group.

32. The Chemist Warehouse group is an Australian retail pharmacy franchisor, supporting a retail network of approximately 600 stores and mainly operating under the Chemist Warehouse brand.

33. Chemist Warehouse has one class of shares on issue. On the Scheme Record Date, there were 1,567,857,011 Chemist Warehouse ordinary shares on issue.

Sigma Healthcare Limited

34. Sigma is a company that was incorporated in Australia on 2 July 1999.

35. Sigma is the ultimate holding company (as defined in subsection 124-780(7)) of the Sigma group (a wholly owned group).

36. Sigma is listed on the Australian Securities Exchange under the code 'SIG' and has more than 300 shareholders.

37. Sigma is an Australian pharmaceutical wholesaler and pharmacy franchisor.

Scheme of arrangement – acquisition of CW Group Holdings Limited shares by Sigma Healthcare Limited

38. On 11 December 2023, Chemist Warehouse and Sigma entered into a Merger Implementation Agreement for Sigma to acquire 100% of the shares in Chemist Warehouse by way of a scheme of arrangement under Part 5.1 of the *Corporations Act 2001*.

39. On 29 January 2025, a resolution in favour of the scheme of arrangement was passed by the shareholders of Chemist Warehouse.

40. On 3 February 2025, the scheme of arrangement was approved by the Federal Court of Australia.

41. Sigma acquired 100% of the shares in Chemist Warehouse on the Implementation Date.

42. As consideration for the disposal of each Chemist Warehouse share, a Chemist Warehouse shareholder received:

- 6.31829351 ordinary shares in Sigma – Scheme Share Consideration, and
- $0.44646929 in cash – Scheme Cash Consideration.

43. The Scheme Share Consideration was based on an agreed formula contained in clause 1.1 of the Merger Implementation Deed and clause 1.1 of the scheme of arrangement.

Status: **legally binding**

Other matters

44. All Chemist Warehouse shareholders acquired their Chemist Warehouse shares after 20 September 1985.

45. All parties that participated in the scheme dealt with each other at arm's length for the purposes of subsection 124-780(4).

46. Neither Sigma nor any of its wholly owned subsidiaries issued equity (other than the Sigma shares issued to Chemist Warehouse shareholders in exchange for their Chemist Warehouse shares), or owed new debt under the scheme of arrangement, to an entity that was not a member of the group and in relation to the issuing of the replacement Sigma shares (paragraph 124-780(3)(f)).

47. Sigma did not make a choice under subsection 124-795(4) that Chemist Warehouse shareholders could not obtain scrip for scrip roll-over in respect of the disposal of their Chemist Warehouse shares under the scheme.

48. Sigma will jointly make the choice to obtain the scrip for scrip roll-over with any Chemist Warehouse shareholder that is a 'significant stakeholder' to which section 124-782 applies and who will notify Sigma in writing of the cost base of their Chemist Warehouse shares worked out just before the Implementation Date.

49. Subsections 124-810(3) and (5) did not apply to Sigma just before the Merger Implementation Agreement was entered into.

50. There was no 'common stakeholder' for the scheme within the meaning of that term in section 124-783.

51. For the purposes of section 855-30, the sum of the market values of the assets of Chemist Warehouse that were taxable Australian real property (as defined in section 855-20) on the Implementation Date did not exceed the sum of the market values of the assets of Chemist Warehouse that were not taxable Australian real property on the Implementation Date.

Commissioner of Taxation
19 February 2025

Status: **not legally binding**

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.

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

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

53. Subdivision 124-M contains a number of conditions for, and exceptions to, a shareholder being able 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)
- the conditions for the roll-over under subsection 124-780(3) are satisfied
- further conditions in subsection 124-780(4), if applicable, are satisfied, and
- exceptions for the roll-over in section 124-795 are not applicable.

54. A shareholder can only obtain a partial roll-over if the capital proceeds for their share include something (ineligible proceeds) other than a replacement share (ineligible part) (subsection 124-790(1)). The scheme that is the subject of this Ruling satisfies the requirements for partial roll-over under Subdivision 124-M.

Consequences if you choose partial scrip for scrip roll-over

Capital gain partially disregarded

55. If you choose partial scrip for scrip roll-over, the capital gain you made from the disposal of your Chemist Warehouse shares is disregarded to the extent you received replacement Sigma shares (eligible proceeds) (subsection 124-785(1)). The capital gain is not disregarded to the extent that you received Scheme Cash Consideration for the disposal of your Chemist Warehouse shares (ineligible proceeds).

56. Subsection 124-790(2) provides that the cost base of the ineligible proceeds is that part of the cost base of the original interest as is reasonably attributable to the ineligible proceeds. The cost base of each Chemist Warehouse share is, for the purposes of

working out the cost base of the replacement Sigma shares, reduced by that part of the cost base which is reasonably attributable to the Scheme Cash Consideration.

57. The method to be used by a Chemist Warehouse shareholder to calculate that part of the cost base of each Chemist Warehouse share that is reasonably attributable to the Scheme Cash Consideration (ineligible proceeds cost base) is:

ineligible proceeds cost base =

(cost base of Chemist Warehouse share × Scheme Cash Consideration) ÷ (Scheme Cash Consideration + Scheme Share Consideration)

58. The method to be used by a Chemist Warehouse shareholder to calculate that part of the cost base of each Chemist Warehouse share that is not reasonably attributable to the Scheme Cash Consideration (eligible proceeds cost base) is:

eligible proceeds cost base =

cost base of Chemist Warehouse share − ineligible proceeds cost base

59. In working out the amount of the capital gain that is subject to scrip for scrip roll-over, the following method may be applied:

capital gain (roll-over) = eligible proceeds − eligible proceeds cost base

60. In working out the amount of the capital gain that is not subject to scrip for scrip roll-over, the following method may be applied:

capital gain = ineligible proceeds − ineligible proceeds cost base

Status: **not legally binding**

References

Legislative references:

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- ITAA 1997 102-5
- ITAA 1997 102-10
- ITAA 1997 104-10
- ITAA 1997 104-10(3)(b)
- ITAA 1997 104-10(4)
- ITAA 1997 104-165(3)
- ITAA 1997 109-10
- ITAA 1997 110-25(2)
- ITAA 1997 110-25(2)(b)
- ITAA 1997 110-55(2)
- ITAA 1997 112-30(1)
- ITAA 1997 Subdiv 115-A
- ITAA 1997 115-25
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- ITAA 1997 116-20(1)(a)
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- ITAA 1997 Div 230
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- ITAA 1997 855-15
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