



Notice of Withdrawal

Taxation Determination

Income tax: consolidation: can the head company of a consolidated group claim a deduction, under section 8-1 of section 25-95 of the *Income Tax assessment Act 1997*, for the tax cost setting amount of partly performed work which has not yet given rise to a recoverable debt?

Taxation Determination TD 2004/D85 is withdrawn with effect from today.

1. The draft determination is about when an entity becomes a subsidiary member of a consolidated group the cost of the membership interests in the entity is spread amongst the entity's assets. This new cost of the entity's assets is the tax cost setting amount of those assets to be applied when calculating the head company's (group's) tax liability. This draft determination provides the ATO view on how certain provisions within the income tax law apply to the tax cost setting amount of the asset created by partly performed work which has not yet given rise to a recoverable debt referred to as work in progress.

2. The determination is being withdrawn following an announcement by the Assistant Treasurer Mal Brough on 1 December 2005 about changes to improve the tax treatment of consolidating companies. The Assistant Treasurer advised that 'rights to future income (such as work-in-progress amounts and unbilled revenue) held by a joining entity will be treated as retained cost base assets provided that those rights accrued to the head company. The tax cost setting amount will be equal to the terminating value of those rights. In addition, the head company will be taken to have incurred expenditure to acquire the rights at the joining time.' This change will apply from 1 July 2002.

Commissioner of Taxation

11 January 2006

ATO references

NO: 2005/18404

ISSN: 1038-8982

ATOlaw topic: Income Tax ~~ Consolidation ~~ income tax liability
Income Tax ~~ Consolidation ~~ tax cost setting amount