


CR 2022/18 - Revolver Resources Pty Ltd - exchange of shares for shares in Revolver Resources Holdings Ltd

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Status: **legally binding**

Class Ruling

Revolver Resources Pty Ltd – exchange of shares for shares in Revolver Resources Holdings Ltd

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.

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What this Ruling is about

1. This Ruling sets out the income tax consequences of the Scheme of Arrangement implemented between Revolver Resources Pty Ltd (Revolver) and Revolver Resources Holdings Ltd (Holdings).
2. Full details of this scheme are set out in paragraphs 12 to 22 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 the holders of Revolver shares (Revolver shareholders) who:
 - participated in the scheme as set out in paragraphs 12 to 22 of this Ruling
 - are residents of Australia within the meaning of subsection 6(1) of the *Income Tax Assessment Act 1936*
 - are not temporary residents of Australia within the meaning of subsection 995-1(1), and

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- held their Revolver shares on a capital account and did not hold their Revolver shares as revenue assets (as defined in section 977-50), nor as trading stock (as defined in subsection 995-1(1)).

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 12 to 22 of this Ruling.

Note: Division 230 will generally 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 2021 to 30 June 2022.

Ruling

Capital gains tax consequences for disposal of shares

7. CGT event A1 happens as a result of the disposal by Revolver shareholders of their Revolver shares for Holdings shares (section 104-10). The time of CGT event A1 was when the shares were transferred to Holdings (paragraph 104-10(3)(b)).

8. The capital proceeds from CGT event A1 happening is equal to the market value of the ordinary shares in Holdings received in exchange for shares in Revolver (subsection 116-20(1)).

Shareholders choosing to elect Division 615 capital gains tax roll-over

9. A disposal of shares in a company to another company in exchange for shares in that other company, as described in section 615-5, happened when Revolver shareholders disposed of their shares in Revolver in exchange for shares in Holdings. As the conditions for roll-over under Division 615 were satisfied in relation to this disposal, Revolver shareholders are eligible to elect the roll-over under Division 615.

10. A participating shareholder who chooses to obtain a Division 615 CGT roll-over will disregard any capital gain or capital loss made from the disposal of Revolver shares for Holdings shares (section 615-40 and subsection 124-15(2)). For participating shareholders who choose to obtain a Division 615 CGT roll-over, the first element of the cost base and reduced cost base of each Holdings share is calculated by dividing the total cost base of the Revolver shares at the time of the disposal by the number of Holdings shares received in exchange (section 615-40 and subsection 124-15(3)).

11. For the purposes of determining any discount capital gains under Division 115 on a future disposal of their Holdings shares acquired under this scheme, a participating shareholder who chooses to obtain a Division 615 CGT roll-over will be taken to have acquired those Holdings shares on the same date they had acquired the original Revolver shares (table item 2 of subsection 115-30(1)).

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Scheme

12. 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.

Revolver Resources Pty Ltd

13. Revolver invests in mineral projects throughout the State of Queensland and had 40 shareholders at the time this Ruling was made.

14. Revolver owns shares in the following subsidiaries:

- Mineral Projects Pty Ltd (100% subsidiary of Revolver), and
- Sector Projects Pty Ltd (95% subsidiary of Revolver).

15. These companies are not currently part of a tax consolidated group.

16. In preparation for Australian Securities Exchange listing and capital raising, the group has undertaken a restructure to insert a holding company, Revolver Resources Holdings Ltd (Holdings), between Revolver and its shareholders.

17. Upon the incorporation of Holdings on 14 July 2021, it acquired all of the shares in Revolver and in return the shareholders acquired all of the shares in Holdings from the time of incorporation.

18. The shareholders acquired the same proportion of shares in Holdings as they had in Revolver prior to the restructure. The shareholders did not acquire anything else as a result of the restructure.

19. Following the completion time of the restructure, Holdings' only assets were the Revolver shares held. Therefore, the proportionate market value of each shareholders' parcel of shares was the same before and after the restructure.

20. On 20 August 2021, Holdings elected to apply section 615-65. This was within two months of the completion time of the restructure.

21. The shareholders of Revolver intend to elect to use the CGT roll-over in Division 615 in relation to any capital gains arising from this restructure.

22. All the shares in Revolver were ordinary shares and were acquired by their respective holders on or after 20 September 1985.

Commissioner of Taxation

2 March 2022

Status: **not legally binding**

Appendix – Explanation

① *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.*

23. Roll-over under Division 615 enables a member of a company to disregard a capital gain or capital loss from a share that is either disposed of, or redeemed or cancelled, as part of a reorganisation of the affairs of the entity, where the member becomes the owner of new shares in another company in exchange.

24. Division 615 contains a number of conditions for eligibility to choose roll-over. The main conditions that are relevant to the participating shareholders exchanging shares in Revolver for shares in Holdings are:

- at least two entities must own all the shares in the 'original entity' (Revolver) (paragraph 615-5(1)(b))
- there must be a scheme for reorganising the original entity's affairs, and consideration for the disposal of the shares in the original entity must consist only shares in another company (the 'interposed company') (Holdings) and nothing else (paragraph 615-5(1)(c))
- the interposed company must own all the shares in the original entity immediately after all the exchanging members have disposed of their shares in the original entity (the 'completion time') (section 615-15)
- immediately after the completion time, each exchanging member must own a whole number of shares in the interposed company (paragraph 615-20(1)(a))
- immediately after the completion time, each exchanging member must own a percentage of the shares in the interposed company that were issued to all the exchanging members of the original entity that is equal to the percentage of the shares in the original entity that the exchanging member owned (paragraph 615-20(1)(b))
- immediately after the completion time, the exchanging members must own all the shares in the interposed company (subsection 615-25(3))
- the shares issued in the interposed company must not be redeemable (subsection 615-25(1))
- the market value ratio test in subsection 615-20(2) is met, and
- the interposed company must choose that section 615-65 applies (subsection 615-30(1)); if the interposed company is electing to apply section 615-65, they must do so within two months after the completion time (paragraph 615-30(3)(a)).

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25. Under the scheme detailed in paragraphs 12 to 22 of this Ruling, the participating shareholders received ordinary shares in Holdings in exchange for all of their shares in Revolver and nothing else. On implementation of the scheme, Holdings will own all the shares in Revolver, and the participating shareholders will have the same percentage interest and value in Holdings immediately after implementation of the scheme as they had in Revolver immediately before implementation. All shareholders will own a whole number of shares in Holdings. All other relevant conditions under Division 615 will also be satisfied under the scheme.

26. Accordingly, participating shareholders who choose the roll-over under Division 615, will disregard any capital gain or capital loss made on disposal of Revolver shares (section 615-40 and subsection 124-15(2)).

Status: **not legally binding**

References

Previous draft:

Not previously issued as a draft

Legislative references:

- ITAA 1936 6(1)
- ITAA 1997 104-10
- ITAA 1997 104-10(3)(b)
- ITAA 1997 Div 115
- ITAA 1997 115-30(1)
- ITAA 1997 116-20(1)
- ITAA 1997 124-15(2)
- ITAA 1997 124-15(3)
- ITAA 1997 Div 230
- ITAA 1997 Div 615
- ITAA 1997 615-5
- ITAA 1997 615-5(1)(b)
- ITAA 1997 615-5(1)(c)
- ITAA 1997 615-15
- ITAA 1997 615-20(1)(a)
- ITAA 1997 615-20(1)(b)
- ITAA 1997 615-20(2)
- ITAA 1997 615-25(1)
- ITAA 1997 615-25(3)
- ITAA 1997 615-30(1)
- ITAA 1997 615-30(3)(a)
- ITAA 1997 615-65
- ITAA 1997 995-1(1)
- ITAA 1997 977-50
- TAA 1953

ATO references

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