


CR 2022/29 - NPP Australia Limited - scrip for scrip roll-over

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Class Ruling

NPP Australia Limited – scrip for scrip roll-over

📌 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 for Australian-resident holders of redeemable preference shares in NPP Australia Limited (NPPA) in relation to the acquisition of those shares by Australian Payments Plus Ltd (APP).
2. Full details of this scheme are set out in paragraphs 22 to 40 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:
 - were a holder of NPPA redeemable preference shares who participated in the scheme that is the subject of this Ruling
 - were a resident of Australia (as defined in subsection 6(1) of the *Income Tax Assessment Act 1936*), and
 - did not hold your NPPA shares as revenue assets (as defined in section 977-50) or as trading stock (as defined in subsection 995-1(1)); that is, your NPPA shares were held on capital account for tax purposes.
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 22 to 40 of this Ruling.

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When this Ruling applies

6. This Ruling applies from 1 July 2021 to 30 June 2022.

Ruling**CGT event A1 happened in respect of the disposal of your NPP Australia Limited shares**

7. CGT event A1 happened when you entered into the contract (Transfer Agreement) to dispose of your NPPA shares to APP (section 104-10).

8. The time of CGT event A1 is the date on which you entered into your respective Transfer Agreement for the disposal of your NPPA shares (paragraph 104-10(3)(a)).

9. The scheme was completed on 9 February 2022 (Implementation Date).

10. The capital proceeds from CGT event A1 happening to each NPPA share is the market value of the share in APP you received in respect of the disposal of the NPPA share (subsection 116-20(1)). The market value of the APP shares is worked out as at the time of CGT event A1 happening.

11. You will make a capital gain from CGT event A1 happening if the capital proceeds from the disposal of your NPPA share exceeded the cost base of that share. You will make a capital loss from CGT event A1 happening if the capital proceeds from the disposal of your NPPA share were less than the reduced cost base of that share (subsection 104-10(4)).

Availability of scrip for scrip roll-over for your NPP Australia Limited shares

12. If you make a capital gain from the disposal of your NPPA shares, you may choose to obtain scrip for scrip roll-over for the capital gain (sections 124-780 and 124-785).

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

Consequences if you choose scrip for scrip roll-over for your NPP Australia Limited shares***Capital gain is disregarded***

14. If you choose scrip for scrip roll-over, your capital gain from CGT event A1 happening in respect of the disposal of your NPPA shares is disregarded (subsection 124-785(1)).

Cost base and reduced cost base of shares in Australian Payments Plus Ltd

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

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16. You can calculate the first element of the cost base and reduced cost base of each replacement APP share by dividing the total cost bases of your NPPA shares by the number of replacement APP shares you received.

Acquisition date of shares in Australian Payments Plus Ltd

17. If you choose scrip for scrip roll-over, the date of acquisition of your APP shares is the date you acquired your original NPPA shares (table item 2(a) of subsection 115-30(1)).

Consequences if you do not choose, or cannot choose, scrip for scrip roll-over for your NPP Australia Limited shares

Capital gain is not disregarded

18. If you do not choose, or cannot choose, scrip for scrip roll-over, you must take into account any capital gain or capital loss from CGT event A1 happening in respect of the disposal of your NPPA 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).

Cost base and reduced cost base of shares in Australian Payments Plus Ltd

19. If you do not choose, or cannot choose, scrip for scrip roll-over, the first element of the cost base and reduced cost base of a replacement APP share that you received is equal to the market value of the NPPA share you gave in respect of acquiring the APP share (subsections 110-25(2) and 110-55(2)).

20. The market value of the NPPA shares you gave is to be worked out as at the time you acquired the APP shares.

Acquisition date of shares in Australian Payments Plus Ltd

21. If you do not choose, or cannot choose, scrip for scrip roll-over, the acquisition date of the APP shares is the date on which you entered into the Transfer Agreement pursuant to which those shares were issued to you (table item 2 of section 109-10).

Scheme

22. 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.

NPP Australia Limited

23. NPPA is an unlisted public company limited by shares, incorporated in Australia on 25 August 2014.

24. NPPA is responsible for the management and operation of the New Payments Platform and Australia's instant payment platform for real-time bank transfers.

25. NPPA had less than 300 shareholders at all times prior to and following the scheme.

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26. NPPA had 132,800 redeemable preference shares on issue just before the Implementation Date.

Australian Payments Plus Ltd

27. APP is an unlisted public company limited by shares, incorporated in Australia on 21 June 2021.

28. APP was established as a new holding company for Eftpos Payments Australia Limited (EPAL), BPAY Group Holding Pty Ltd (BPAY) and NPPA to facilitate a proposed merger and manage the affairs of the merged group following the merger.

The merger

29. On 10 December 2020, NPPA, EPAL and BPAY entered into an agreement as part of a proposal to merge NPPA, EPAL and BPAY under a single holding company.

30. On 30 September 2021, NPPA, EPAL, BPAY and APP entered into a Deed of Accession, Amendment and Restatement in furtherance of the proposed merger.

31. Under these agreements:

- NPPA, EPAL and BPAY agreed to merge under a new holding company, APP, and
- APP agreed to issue shares to shareholders or members of each of NPPA, EPAL and BPAY (as applicable) to facilitate the merger, where certain conditions were met.

32. On 4 August 2021, NPPA shareholders voted in favour of amending the NPPA Constitution and Shareholders Agreement to allow for shares in NPPA to be transferred to APP as part of the proposed merger.

33. Each participating NPPA shareholder entered into their own respective agreement (Transfer Agreement) with NPPA and APP under which they agreed to transfer their redeemable preference shares in NPPA to APP in exchange for preference shares in APP. Under the Transfer Agreements, APP agreed to issue preference shares to NPPA shareholders in proportion to their shareholdings in NPPA.

34. No money or other property (other than APP shares) was given by APP in respect of acquiring the shares in NPPA.

35. Participation was available on the same terms for all shareholders of NPPA and the terms of each Transfer Agreement were substantially the same.

36. On the Implementation Date (9 February 2022):

- APP acquired 100% of the redeemable preference shares in NPPA, and
- each participating NPPA shareholder received one preference share in APP for each NPPA share, as consideration for the disposal of their NPPA shares and in accordance with their respective Transfer Agreements.

Other matters

37. There was no 'significant stakeholder' or 'common stakeholder' in NPPA or APP within the meaning of those terms in section 124-783.

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38. Neither APP nor any members of its wholly-owned group issued equity, apart from replacement interests, or owed new debt, to an entity that was not a member of the group and in relation to the issuing of those replacement interests, for the purposes of paragraph 124-780(3)(f).

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

40. APP did not make a choice under subsection 124-795(4) that NPPA shareholders could not obtain the roll-over in Subdivision 124-M for CGT event A1 happening in relation to the exchange of NPPA shares.

Commissioner of Taxation

30 March 2022

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References

Legislative references:

- ITAA 1936 6(1)
 - ITAA 1997 102-5
 - ITAA 1997 102-10
 - ITAA 1997 104-10
 - ITAA 1997 104-10(3)(a)
 - ITAA 1997 104-10(4)
 - ITAA 1997 109-10
 - ITAA 1997 110-25(2)
 - ITAA 1997 110-55(2)
 - ITAA 1997 115-30(1)
 - ITAA 1997 116-20(1)
 - ITAA 1997 Subdiv 124-M
 - ITAA 1997 124-780
 - ITAA 1997 124-780(3)(f)
 - ITAA 1997 124-780(4)
 - ITAA 1997 124-783
 - ITAA 1997 124-785
 - ITAA 1997 124-785(1)
 - ITAA 1997 124-785(2)
 - ITAA 1997 124-785(4)
 - ITAA 1997 124-795(2)(a)
 - ITAA 1997 124-795(4)
 - ITAA 1997 Div 230
 - ITAA 1997 977-50
 - ITAA 1997 995-1(1)
 - TAA 1953
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ATO references

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