


CR 2024/46 - TASK Group Holdings Limited - scrip for scrip roll-over

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Status: legally binding

Class Ruling

TASK Group Holdings Limited – scrip for scrip roll-over

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 for the holders of ordinary shares in TASK Group Holdings Limited (TASK) who disposed of their TASK shares to PAR Global Australia Pty Ltd (PAR Australia) on 19 July 2024 (Implementation Date).
2. Details of this scheme are set out in paragraphs 24 to 42 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 TASK shares on 12 July 2024 (Record Date)
 - received ordinary shares in PAR Technology Corporation (PAR USA) as partial consideration for the disposal of your TASK shares on the Implementation Date as part of the scheme that is the subject of this Ruling
 - acquired your TASK shares on or after 20 September 1985 for capital gains tax (CGT) purposes
 - are either
 - a resident of Australia as defined in subsection 6(1) of the *Income Tax Assessment Act 1936* (and not a ‘temporary resident’ as defined in subsection 995-1(1)), or

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- a non-resident of Australia who does not carry on a business at or through a permanent establishment in Australia, and
 - held your TASK shares on capital account, that is, the shares were neither held as revenue assets (as defined in section 977-50) nor as trading stock (as defined in subsection 995-1(1)).
5. This Ruling will not apply to you if you:
- acquired your TASK shares under an employee share scheme to which Subdivision 83A-C applies and your deferred taxing point occurred on the Implementation Date
 - are subject to the investment manager regime in Subdivision 842-I in relation to your TASK shares, or
 - are subject to the taxation of financial arrangements rules in Division 230 in relation to the scheme outlined in paragraphs 24 to 42 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 TASK Group Holdings Limited shares

7. CGT event A1 happened when you disposed of your TASK shares to PAR Australia (section 104-10).
8. The time of CGT event A1 was on the Implementation Date (paragraph 104-10(3)(b)).
9. The capital proceeds from CGT event A1 happening to your TASK shares consisted of:
- the cash component – the cash you received for disposing of your TASK shares (paragraph 116-20(1)(a)), and
 - the share component – the market value (worked out at the Implementation Date) of the PAR USA shares you received in respect of the disposal of your TASK shares (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 TASK 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 TASK share were less than its reduced cost base (subsection 104-10(4)).

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Non-resident shareholders

12. If you are a non-resident shareholder just before the Implementation Date, you disregard a capital gain or capital loss you made from CGT event A1 happening when you disposed of your TASK shares to PAR Australia (section 855-10) unless it was 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)).

Availability of partial scrip for scrip CGT roll-over

13. If you are an Australian resident for income tax purposes and made a capital gain from the disposal of your TASK shares, you may choose scrip for scrip roll-over for that part of the capital gain that is attributable to the receipt of new PAR USA shares (sections 124-780 and 124-790). No scrip for scrip CGT roll-over is available to the extent you made a capital loss from the exchange of your TASK shares.

14. However, you cannot choose scrip for scrip roll-over if any capital gain you make from the replacement PAR USA shares would be disregarded, except because of a roll-over (paragraph 124-795(2)(a)).

If available and you choose scrip for scrip roll-over***Capital gain partially disregarded***

15. Where scrip for scrip roll-over is available and you choose it, the capital gain attributable to the receipt of the replacement PAR USA shares is disregarded (eligible proceeds) (subsection 124-785(1)).

16. The capital gain attributable to the receipt of cash is not disregarded (ineligible proceeds) (subsection 124-790(1)).

Cost base and reduced cost base of your replacement PAR Technology Corporation shares

17. Where scrip for scrip roll-over is available and you choose it, the first element of the cost base and reduced cost base of each replacement PAR USA share received is worked out by reasonably attributing to it the cost base and reduced cost base of your original TASK shares for which it was exchanged (subsections 124-785(2) and 124-785(4)). Any part of the cost base and reduced cost base of the TASK shares you exchanged that is attributable to the receipt of the cash component is excluded from the cost base and reduced cost base of the PAR USA share (subsection 124-785(3)).

Acquisition date of your replacement PAR Technology Corporation shares

18. For the purpose of determining whether a capital gain made from any later disposal of a PAR USA share is a discount capital gain, where scrip for scrip roll-over is available and you choose it, you are taken to have acquired your PAR USA share when you acquired your original TASK shares that were exchanged for the relevant PAR USA share (table item 2 of subsection 115-30(1)).

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If you do not choose or cannot choose scrip for scrip roll-over

Capital gain or capital loss not disregarded for the receipt of PAR Technology Corporation shares

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

20. If you made a capital gain from the disposal of your TASK share, you can treat the capital gain as a discount capital gain provided that you held your TASK share for at least 12 months (excluding the day on which you acquired your TASK share and the Implementation Date) before the Implementation Date (subsection 115-25(1)) and the other conditions of Subdivision 115-A are met.

Cost base and reduced cost base of replacement PAR Technology Corporation shares

21. The first element of the cost base and reduced cost base of each replacement PAR USA share received is equal to that part of the market value of the TASK shares reasonably attributable to the PAR USA share at the time of its acquisition (paragraph 110-25(2)(b), subsection 110-55(2) and subsection 112-30(1)).

22. The market value of the TASK shares that is attributable to the receipt of the cash component is not included in the cost base or reduced cost base of the replacement PAR USA share (subsection 112-30(1)).

Acquisition date of replacement PAR Technology Corporation shares

23. The date of acquisition of the replacement TASK share is the date you were issued the share, being the Implementation Date (table item 2 of section 109-10).

Scheme

24. 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.

Background

TASK Group Holdings Limited

25. TASK is an Australian public company and is the head company of an income tax consolidated group. It was a widely held company, listed on the Australian Securities Exchange (ASX) under ASX code TSK until the business day immediately following the Scheme Implementation Date.

26. TASK provides technology software solutions to global hospitality clients and has foreign operations in New Zealand, the United States, United Kingdom, Japan and Poland.

27. On 11 July 2024, the total number of securities TASK had on issue were 382,861,212 fully paid ordinary shares.

28. Prior to the Implementation Date TASK's shareholders comprised both residents and non-residents of Australia and there were more than 300 TASK shareholders in total.

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29. Less than 50% of the total market value of assets held by TASK were 'taxable Australian real property' as defined in section 855-20.

PAR Global Australia Pty Ltd and PAR Technology Corporation

30. PAR Australia is an Australian-incorporated company which was established by PAR USA on 19 March 2024 to facilitate the acquisition of TASK shares under the scheme.

31. PAR USA is the ultimate holding company of a wholly owned group, of which PAR Australia is a member.

32. PAR USA is a United States-incorporated company listed on the New York Stock Exchange. It is a software technology service provider which services more than 100,000 restaurants in more than 110 countries.

33. There are more than 300 shareholders in PAR USA.

Scheme of arrangement

34. On 9 March 2024, TASK and PAR USA entered into a Scheme Implementation Agreement) for the PAR USA group to acquire 100% of the share capital of TASK by way of a Scheme of Arrangement under Part 5.1 of the *Corporations Act 2001*.

35. There were 2 types of Scheme Consideration available under the Scheme Implementation Agreement. Shareholders of TASK could choose either:

- cash consideration equal to \$0.81 per TASK share (Maximum Cash Consideration), or
- a combination of both PAR USA shares and cash for each TASK share (Mixed Consideration). The shareholder could elect to have a maximum of 50% (Election Percentage) to be paid in PAR USA shares.

36. The Mixed Consideration was calculated for each TASK share as follows:

- the cash component

$$\text{cash} = \$0.81 \times (100\% - \text{Election Percentage})$$

plus
- the share component

$$\text{PAR USA shares} = \text{Election Percentage} \times 0.015$$

37. The PAR USA shares issued to TASK shareholders under the Scheme of Arrangement ranked equally in all respects with all other common stock of PAR USA. This includes the same entitlement to participate and receive dividends, distributions of capital and any other entitlements accruing in respect of PAR USA's common stock after the Implementation Date.

38. No new equity (other than the PAR USA shares) or debt was issued to anyone other than TASK shareholders.

39. On 28 June 2024, the requisite majority of TASK shareholders approved the arrangement at the scheme meeting.

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40. On 5 July 2024, the Scheme of Arrangement was approved by order of the Federal Court of Australia and TASK shares were suspended from trading on the ASX on 8 July 2024.

Other matters

41. This Ruling is made on the basis that:
- PAR USA did not make a choice under subsection 124-795(4) that TASK shareholders could not obtain roll-over under Subdivision 124-M.
 - There was no 'significant stakeholder' or 'common stakeholder' for the arrangement within the meaning of those terms in section 124-783.

Key dates

42. The following table is a summary of the key dates for the scheme of arrangement.

Table 1: Key dates for the scheme of arrangement

Date	Event
9 March 2024	Scheme Implementation Agreement executed by TASK and PAR USA
11 March 2024	Scheme of Arrangement announced
28 May 2024	First court hearing
28 May 2024	Scheme Booklet was released on the ASX
30 May 2024	Printing and dispatch of scheme booklet to shareholders
21 June 2024	Latest date for receipt of Election Forms
4 July 2024	Scheme meeting
9 July 2024	Second court hearing
10 July 2024	Court order lodged with ASIC (Effective Date) Last date of trading in TASK shares on ASX
12 July 2024	Scheme Record Date
19 July 2024	Implementation Date

Commissioner of Taxation

7 August 2024

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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

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

44. Subdivision 124-M contains a number of conditions for, and exceptions to, a shareholder being eligible 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)
- conditions for the roll-over in subsection 124-780(3) are satisfied
- further conditions, if applicable, are satisfied, and
- exceptions to obtaining scrip for scrip roll-over are not applicable.

45. 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.

If available and you choose scrip for scrip roll-over

Capital gain partially disregarded

46. If you choose partial scrip for scrip roll-over, the capital gain you made from the disposal of TASK shares is disregarded to the extent you received replacement PAR USA shares (eligible proceeds) (subsection 124-785(1)). The capital gain is not disregarded to the extent that you received cash consideration for the disposal of your TASK shares (ineligible proceeds).

47. 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 TASK share is, for the purposes of working out the cost

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base of the replacement PAR USA shares, reduced by that part of the cost base which is reasonably attributable to the cash consideration.

48. The method to be used by a TASK shareholder to calculate that part of the cost base of each TASK share that is not reasonably attributable to the cash consideration (eligible proceeds cost base) is:

$$\text{Eligible proceeds cost base} = \text{Cost base of TASK share} \times \frac{\text{Market value of PAR USA share} \times \text{Election Percentage} \times 0.015}{\text{Market value of PAR USA share} \times \text{Election Percentage} \times 0.015 + \$0.81 \times (100\% - \text{Election Percentage})}$$

49. The method to be used by a TASK shareholder to calculate that part of the cost base of each TASK share that is reasonably attributable to the cash consideration (ineligible proceeds cost base) is:

$$\text{Ineligible proceeds cost base} = \text{Cost base of TASK share} \times \frac{\$0.81 \times (100\% - \text{Election Percentage})}{\text{Market value of PAR USA share} \times \text{Election Percentage} \times 0.015 + \$0.81 \times (100\% - \text{Election Percentage})}$$

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

$$\text{Capital gain (roll-over)} = \text{Eligible proceeds} - \text{Eligible proceeds cost base}$$

51. 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:

$$\text{Capital gain} = \text{Ineligible proceeds} - \text{Ineligible proceeds cost base}$$

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References

Legislative references:

- | | |
|---------------------------|--------------------------------|
| - ITAA 1936 6(1) | - ITAA 1997 124-780(2A) |
| - ITAA 1997 Subdiv 83A-C | - ITAA 1997 124-780(3) |
| - ITAA 1997 102-5 | - ITAA 1997 124-783 |
| - ITAA 1997 102-10 | - ITAA 1997 124-785(1) |
| - ITAA 1997 104-10 | - ITAA 1997 124-785(2) |
| - ITAA 1997 104-10(3)(b) | - ITAA 1997 124-785(3) |
| - ITAA 1997 104-10(4) | - ITAA 1997 124-785(4) |
| - ITAA 1997 104-165(3) | - ITAA 1997 124-790 |
| - ITAA 1997 109-10 | - ITAA 1997 124-790(1) |
| - ITAA 1997 110-25(2)(b) | - ITAA 1997 124-790(2) |
| - ITAA 1997 110-55(2) | - ITAA 1997 124-795(2)(a) |
| - ITAA 1997 112-30(1) | - ITAA 1997 124-795(4) |
| - ITAA 1997 Subdiv 115-A | - ITAA 1997 Div 230 |
| - ITAA 1997 115-25(1) | - ITAA 1997 Subdiv 842-I |
| - ITAA 1997 115-30(1) | - ITAA 1997 855-10 |
| - ITAA 1997 116-20(1)(a) | - ITAA 1997 855-15 |
| - ITAA 1997 116-20(1)(b) | - ITAA 1997 855-20 |
| - ITAA 1997 Subdiv 124-M | - ITAA 1997 977-50 |
| - ITAA 1997 124-780 | - ITAA 1997 995-1(1) |
| - ITAA 1997 124-780(1)(a) | - Corporations Act 2001 Pt 5.1 |
| - ITAA 1997 124-780(2) | |
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ATO references

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