


CR 2024/63 - Cvmec Singapore Limited - exchange of shares for Cvmec Limited shares

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Status: **legally binding**

Class Ruling

Civmec Singapore Limited – exchange of shares for Civmec Limited shares

📌 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.

Table of Contents	Paragraph
What this Ruling is about	1
Who this Ruling applies to	4
When this Ruling applies	6
Ruling	7
Scheme	20
Appendix – Explanation	33

What this Ruling is about

1. This Ruling sets out the income tax consequences for shareholders of Civmec Singapore Limited (Civmec) that exchanged their shares (Civmec Shares) for Civmec Limited (NewCo) shares (NewCo Shares) under the Shareholders' Scheme (the Scheme) implemented on 4 September 2024 (Effective Date).
2. Details of this scheme are set out in paragraphs 20 to 31 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:
 - participated in the Scheme that is the subject of this Ruling
 - held Civmec Shares on 3 September 2024 (Record Date)
 - held your Civmec Shares on capital account, as trading stock or as revenue assets and hold your NewCo Shares on the same basis, respectively, after the Scheme, and
 - are not subject to the investment manager regime under Subdivision 842-I in respect of your Civmec Shares.

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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 20 to 31 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

Disposal of Civmec Singapore Limited shares – CGT event A1

7. CGT event A1 happened when you disposed of each of your Civmec Shares to NewCo under the Scheme (subsection 104-10(1)).

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

Division 615 roll-over for residents

9. The roll-over under Division 615 will apply if you were a resident of Australia for the purposes of subsection 6(1) of the *Income Tax Assessment Act 1936* (ITAA 1936) at the time you disposed of your Civmec Shares to NewCo and were not a temporary resident within the meaning of the term 'temporary resident' in subsection 995-1(1) (paragraph 615-20(3)(a) and subsection 615-5(2)).

10. You will be taken to have chosen roll-over under Division 615 because immediately before the completion time, Civmec was the head company of a Tax Consolidated Group (TCG) and immediately after the completion time, NewCo is the head company of the TCG (subsection 615-5(2)).

Division 615 roll-over for non-residents

11. If you were not a resident of Australia for the purposes of subsection 6(1) of the ITAA 1936 at the time you disposed of your Civmec Shares to NewCo, the roll-over under Division 615 will only apply where:

- your Civmec shares were 'taxable Australian property' immediately before the disposal (subparagraph 615-20(3)(b)(i)), and
- your NewCo shares were taxable Australian property immediately after the 'completion time' of the Scheme (subparagraph 615-20(3)(b)(ii)).

Consequences where Division 615 roll-over applies

Capital gains tax consequences for shares held as capital assets

12. You disregard any capital gain or capital loss made from the disposal of your Civmec Share in exchange for the NewCo Share (sections 615-10 and 615-40, and subsection 124-15(2)).

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13. The first element of the cost base and reduced cost base of each NewCo Share that you acquired under the Scheme will equal the cost base of the Civmec Share for which it was exchanged (section 615-40 and subsection 124-15(3)).

14. For the purposes of determining any discount capital gain under Division 115, you are taken to have acquired the NewCo Share on the same date you acquired your corresponding Civmec Share (table item 2 of subsection 115-30(1)).

Shares held as trading stock

15. If you held your Civmec Share as trading stock (as defined in subsection 995-1(1)) and subsequently hold your NewCo Share as trading stock, the amount included in your assessable income on disposal of your Civmec Share is:

- if the Civmec Share has been held as trading stock since the start of the income year that included the disposal time, the total value of the Civmec share at the start of the income year and the amount (if any) by which the cost has increased since the start of the income year, or
- the cost of each Civmec Share at the time of the disposal (subsection 615-50(1)).

16. The amount taken to have been paid by you for each NewCo Share acquired as trading stock is equal to the amount included in assessable income on disposal of each Civmec Share (as calculated in paragraph 15 of this Ruling) (subsection 615-50(2)).

Shares held as revenue assets

17. If you held your Civmec Share as a revenue asset (as defined in section 977-50) and subsequently hold your NewCo Share as a revenue asset, the gross proceeds received for disposing of your Civmec Share is taken to be the amount needed to have a nil profit and nil loss for that disposal (subsection 615-55(1)).

18. When calculating any profit or loss on the future disposal of the replacement NewCo Share (held as a revenue asset), the amount taken to have been paid is the total amount of gross proceeds needed to have a nil profit and nil loss for the disposal (as calculated in paragraph 17 of this Ruling) (subsection 615-55(2)).

No determination will be made under Part 45B of the ITAA 1936

19. Having regard to the facts and circumstances of the Scheme, the Commissioner will not make a determination under subsection 45B(3) of the ITAA 1936 that section 45C of the ITAA 1936 applies to the Scheme. No part of the capital benefit (being the NewCo Shares you receive under the Scheme) will be deemed by the Commissioner to be a dividend under those provisions.

Scheme

20. 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.

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Background

21. Civmec is a Singaporean incorporated public company limited by shares that was listed on the Singapore Exchange (SGX-ST) on 13 April 2012 and secondary listed on the Australian Securities Exchange (ASX) on 22 June 2018.
22. Civmec is an Australian-resident company for income tax purposes (since 1 July 2014) and head company of the Australian TCG.
23. As of 25 August 2024, Civmec had approximately 508 million ordinary shares of which:
- 262 million were held by The Central Depository (Pte) Limited (CDP) and traded on the SGX-ST
 - 245 million were held by Chess Depository Nominees Pty Limited (CDN) and traded as Chess Depository Interests (CDI) on the ASX on a one-to-one basis
 - 335,000 were held directly by shareholders through physical share certificates, and
 - 15,000 were held by Civmec as Treasury Shares.
24. NewCo was incorporated as a public limited company in Australia on 26 October 2023 for the purpose of the Scheme.
25. Immediately prior to the Scheme it had issued and paid-up share capital of one Australian dollar comprising one ordinary share.

Shareholders' Scheme

26. On 27 October 2023, Civmec and NewCo entered into an Implementation Agreement such that NewCo would acquire all the Civmec Shares.
27. The Scheme purpose was to redomicile the head company of the group from Singapore to Australia.
28. The Scheme was effected by way of a court approved scheme of arrangement in accordance with section 210 of the *Companies Act 1967* (Singapore).
29. The Scheme was carried out in the following manner:
- All Civmec Treasury Shares were cancelled prior to the Record Date.
 - Civmec shareholders were issued an ordinary share in NewCo for each Civmec Share held (and nothing else) on the Effective Date, specifically
 - for shares held by CDN as CDI interests, CDN will have the Civmec Shares it holds on trust (for CDI holders) replaced with NewCo Shares, and
 - for shares held by CDP, CDP will have Civmec Shares it holds on trust replaced with NewCo Shares and will continue to hold on trust (unless action is taken by the beneficiary).
 - Concurrently with the issue of NewCo Shares, the original NewCo share was cancelled through a capital reduction.
 - Civmec's existing listing on the mainboard of the SGX-ST and on the ASX was effectively transferred to NewCo.

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- NewCo became the new holding company of the Civmec group and the head company of the TCG.

30. Civmec shareholders approved the Scheme on 1 August 2024.

31. NewCo has chosen under subsection 615-30(2) that the tax consolidated group originally comprising of Civmec (as head company) and its member entities will continue in existence after the scheme with NewCo as its head company.

Other relevant facts

32. On 10 September 2024 the NewCo Shares held by CDN were transferred to the holders of the CDIs.

Commissioner of Taxation

9 October 2024

Status: **not legally binding**

Appendix – Explanation

❶ ***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.***

Division 615 roll-over

33. Division 615 contains several conditions for eligibility to a roll-over. The main conditions that are relevant to the exchange of Civmec Shares for NewCo Shares are:

- at least 2 entities must own all the shares in the ‘original entity’ (Civmec) (paragraphs 615-5(1)(a) and (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 of receiving shares in another company (the interposed company) (NewCo) 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))
- the market value ratio tests in subsection 615-20(2) are satisfied
- the shares issued in the interposed company must not be redeemable shares (subsection 615-25(1)), and
- immediately after the completion time, the exchanging members must own all the shares in the interposed company, or entities other than the exchanging members must own no more than 5 shares in the interposed company and the market value of those shares is such that it is reasonable to treat the exchanging members as owning all the shares (subsection 615-25(3)).

34. Under the Scheme, each Civmec shareholder received NewCo Shares in exchange for all their Civmec Shares and nothing else. Immediately after the completion time of the Scheme, NewCo owned all the shares in Civmec. Each Civmec shareholder had the same percentage interest in, and market value ratio of shares in, NewCo immediately after the completion time as they had in Civmec before the Scheme. All shareholders owned a whole number of shares in NewCo immediately after the completion time.

35. All other relevant conditions under Division 615 are satisfied under the Scheme.

Status: **not legally binding**

References

Legislative references:

- ITAA 1936 6(1)
 - ITAA 1936 45B
 - ITAA 1936 45B(3)
 - ITAA 1936 45C
 - ITAA 1997 104-10(1)
 - ITAA 1997 104-10(3)(b)
 - ITAA 1997 Div 115
 - ITAA 1997 115-30(1)
 - ITAA 1997 124-15(2)
 - ITAA 1997 124-15(3)
 - ITAA 1997 Div 230
 - ITAA 1997 Div 615
 - ITAA 1997 615-5(1)(a)
 - ITAA 1997 615-5(1)(b)
 - ITAA 1997 615-5(1)(c)
 - ITAA 1997 615-5(2)
 - ITAA 1997 615-10
 - ITAA 1997 615-15
 - ITAA 1997 615-20(1)(a)
 - ITAA 1997 615-20(1)(b)
 - ITAA 1997 615-20(2)
 - ITAA 1997 615-20(3)(a)
 - ITAA 1997 615-20(3)(b)(i)
 - ITAA 1997 615-20(3)(b)(ii)
 - ITAA 1997 615-25(1)
 - ITAA 1997 615-25(3)
 - ITAA 1997 615-30(2)
 - ITAA 1997 615-40
 - ITAA 1997 615-50(1)
 - ITAA 1997 615-50(2)
 - ITAA 1997 615-55(1)
 - ITAA 1997 615-55(2)
 - ITAA 1997 Subdiv 842-I
 - ITAA 1997 977-50
 - ITAA 1997 995-1(1)
 - Companies Act 1967 (Singapore) 210
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ATO references

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