


***TD 2004/D75W - Withdrawal - Income tax: consolidation: can the head company of a consolidated group claim a deduction, under section 8-1 of the Income Tax Assessment Act 1997, for a consumable's tax cost setting amount where: (a) an entity acquired the consumable before it became a subsidiary member of the consolidated group (the joining time); (b) the expenditure incurred in purchasing the consumable was deductible by the entity in the income year in which it was incurred; and (c) at the joining time, some or all of the consumable remained on-hand?***

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## Notice of Withdrawal

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### Taxation Determination

Income tax: consolidation: can the head company of a consolidated group claim a deduction, under section 8-1 of the *Income Tax Assessment Act 1997*, for a consumable's tax cost setting amount where:

- (a) an entity acquired the consumable before it became a subsidiary member of the consolidated group (the joining time);
- (b) the expenditure incurred in purchasing the consumable was deductible by the entity in the income year in which it was incurred; and
- (c) at the joining time, some or all of the consumable remained on-hand?

Taxation Determination TD 2004/D75 is withdrawn with effect from today.

1. The Draft Taxation Determination explains the income tax treatment in respect of consumables that were acquired by an entity prior to the time it joins, and becomes a subsidiary of, a consolidated group and were still on hand at the time the entity joined the consolidated group.
2. The draft Taxation Determination addresses the situation where the joining entity was entitled to a deduction, prior to the joining time, when the cost of acquiring the consumable was incurred. In this case the head company will not be entitled to a deduction for the consumable's tax cost setting amount. The Draft Taxation Determination explains that the head company will, however, be entitled to a capital loss equal to the consumable's tax cost setting amount, when the consumable is used by the group.

# TD 2004/D75

3. The determination is being withdrawn following an announcement by the Assistant Treasurer Mal Brough on 1 December 2005 about changes to improve the tax treatment of consolidating companies.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 'a modification will be made to ensure that the tax cost of a joining entity's assets determined under the tax cost setting rules is used by the head company of a consolidated group or MEC group for the purpose of applying all other provisions in the income tax law. In addition, the head company will be taken to have incurred expenditure to acquire a joining entity's assets equal to their tax cost setting amount at the joining time.' This modification will apply from 1 July 2002.

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## Commissioner of Taxation

11 January 2006

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### ATO references

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ATOLaw topic: Income Tax ~~ Consolidation ~~ capital gains tax  
Income Tax ~~ Consolidation ~~ tax cost setting amount