



## Class Ruling

### Class Rulings system

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#### ***Preamble***

*This Class Ruling is not a 'public ruling' in terms of Part IVAAA of the **Taxation Administration Act 1953**. Class Ruling CR 2001/1 explains Class Rulings and Taxation Rulings TR 92/1 and TR 97/16 together explain when a Ruling is a public ruling and how it is binding on the Commissioner.*

*[Note: This is a consolidated version of this document. Refer to the Tax Office Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]*

### **What this Class Ruling is about**

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1. This Ruling outlines the system of Class Rulings, which may be public rulings under the *Taxation Administration Act 1953* ('TAA'), in relation to the income tax and fringe benefits tax law. This Ruling considers:

- the date of effect of Class Rulings;
- what constitutes a Class Ruling;
- requesting a Class Ruling; and
- when we will not rule.

2. The term 'participants' is used throughout this Ruling to describe the class of persons to which a Class Ruling applies.

### **Date of effect**

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#### **This Ruling**

3. This Class Ruling applies from 28 February 2001.

#### **Later Rulings**

4. Class Rulings will stipulate a date of effect.

5. A Class Ruling may also specify the date on which it will be withdrawn and cease to have effect. A Class Ruling applies to all persons within the specified class who participate in the specified arrangement during the term of the Ruling.

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## **Ruling and Explanation**

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### **What constitutes a Class Ruling**

6. Class Rulings have been introduced to enable the Commissioner to provide legally binding advice in response to a request from an entity seeking advice about the application of a tax law to a specific class of persons in relation to a particular arrangement. The purpose of a Class Ruling is to provide certainty to participants and obviate the need for individual participants to seek private rulings.

7. Being a type of public ruling, the Commissioner derives the power to issue Class Rulings under Part IVAAA of the *Taxation Administration Act 1953* ('TAA'). The Commissioner has an unfettered discretion as to whether or not to issue a Class Ruling in relation to any particular arrangement, and this applies whether the Class Ruling has been requested or not.

8. A Class Ruling provides certainty to participants by stating/confirming that the tax consequences set out in the **Ruling** part of the Class Ruling are available, provided that the arrangements are carried out as described in the **Arrangement** part of the Class Ruling. The highest levels of disclosure are expected of the applicant. If the arrangement carried out is materially different from that ruled upon, the Ruling has no binding effect on the Commissioner and may be withdrawn or modified.

9. Participants in a particular arrangement may wish to seek assurances from the entity implementing the arrangement that it will be carried out as described in the Class Ruling.

### ***Class of persons***

10. Part IVAAA of the TAA contains the public ruling provisions and sets out what is necessary for a published opinion of the Commissioner to be a public ruling. A Class Ruling sets out the Commissioner's opinion as to the way in which a 'tax law' applies to a class of persons in relation to an arrangement (section 14ZAAF of the TAA).

11. The class of persons subject to a Class Ruling is defined in the Class Ruling. The Class Ruling is legally binding on the Commissioner and participants can rely on the statements contained in the ruling.

***'Tax law'***

12. A 'tax law' to which the public ruling provisions apply is a provision of an Act or a regulation under which the extent of liability to income tax, withholding taxes, franking deficit tax, Medicare levy, or fringe benefits tax is worked out (see definition of 'tax law' in section 14ZAAA of the TAA).

13. A public ruling on the way in which a tax law applies may be a ruling on the way in which a discretion of the Commissioner under that law would be exercised (section 14ZAAD of the TAA).

***Arrangement***

14. A Class Ruling describes the relevant details of a particular arrangement. A Class Ruling contains the Commissioner's opinion about the application of the tax law to a specific class of persons in relation to the particular arrangement. The following are examples of situations where such a ruling may be given:

- (a) An employer seeks advice about the tax consequences of retention bonuses for a class of employees.
- (b) An employer seeks advice about the tax consequences of a bona fide redundancy plan for a class of employees.
- (c) An employer seeks advice about the tax consequences of an employee share acquisition plan for individual employees.
- (d) A company seeks advice about the tax consequences for its shareholders of a restructure of the company, a split or consolidation of its shares, or any other proposed transaction of the company affecting the tax affairs of its shareholders.
- (e) A public company seeks advice about the application of the scrip for scrip roll-over provisions to its shareholders.
- (f) A Commonwealth, State or Territory Government or one of their Government authorities seeks advice about a proposed transaction; for example, an industry restructure which has taxation consequences for participants in that industry.

15. Class Rulings will not be issued in relation to investment schemes and similar products. Product Rulings are issued for this purpose.

## ***Numbering of Class Rulings***

16. Class Rulings will:

- be grouped as the 'CR' series;
- have a prefix for the particular calendar year in which they issue; and
- be numbered in issue order.

## ***Publication***

17. A Class Ruling is a public ruling in terms of the TAA. Accordingly, for a Class Ruling to be made, the Ruling must be published and notice of it must be published in the *Gazette*. Because a Class Ruling may only apply for a set term, the *Gazette* notice giving notice of the making of the Ruling may also give notice of the future date on which the Ruling will be withdrawn. The Commissioner may, however, withdraw a Class Ruling at any stage by publishing notice of the withdrawal in the *Gazette*.

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## **Requesting a Class Ruling**

19. An entity may specifically request a Class Ruling. Furthermore, whenever an entity requests advice about the application of the tax law to a specific class of persons in relation to a particular arrangement, it will be treated as a request for a Class Ruling (or Product Ruling if more appropriate). ATO staff are to also give consideration to preparing a Class Ruling in those situations where a member of a class of persons affected by a particular arrangement requests a private ruling on the arrangement. Similarly, ATO staff are to give consideration to preparing a Class Ruling where they otherwise identify an arrangement that has tax consequences for a class of persons.

20. A written request for a Class Ruling should be sent to the same mailing address as other correspondence: see *TaxPack* for addresses. The information that must be provided includes:

- A full and accurate description of the arrangement - including details of the principals carrying out the arrangement and any documents referred to in the arrangement;
- Where relevant, the title given to the arrangement;
- A clear and accurate description of the class of persons subject to the arrangement; and
- A clearly articulated question/s in terms of the particular provisions that are to be ruled on. In addition, the entity requesting the advice is expected to present the issues that are to be considered together with the results of research undertaken.

21. The issue/publication of a Class Ruling in relation to a particular arrangement is generally conditional upon the requesting entity:

- acknowledging that the Commissioner will reveal in the Ruling:
  - the name and address of the persons involved as principals in the carrying out of the arrangement;
  - the name and description of the arrangement; and
  - a description of the agreements, deeds and transactions to which the participants are parties;
- obtaining express consent to be named from all parties named in the Ruling; and
- verifying that the description of the arrangement contained in the proposed Ruling is accurate.

22. The quality and completeness of information supplied and the need to research, analyse and resolve issues that arise, are factors in the time taken to provide a Class Ruling.

***Obligations after the issue of a Class Ruling***

23. Where the arrangement is relevant to or affects statutory or other Government requirements (e.g., director's reports requirements), the Commissioner may request that the relevant information be provided to him or her.

**Testing our views**

24. Where we are unable to rule favourably, we will agree to issue a private ruling in response to a valid application by a proposed participant, to enable the issues to be tested through the relevant review processes. This does not preclude the Commissioner from also issuing a Class Ruling on the arrangement, though this will generally only be done where the relevant entity agrees to it.

**When we will not rule**

25. The Commissioner makes and withdraws Class Rulings at his discretion.

26. Without limiting the discretion to refuse to rule in relation to other instances, a Class Ruling will not be issued in the following circumstances:

- (a) the request is frivolous or vexatious. Falling within this category are requests where:
  - the arrangement is only hypothetical, in that the arrangement to which the application relates is not being carried out and is not seriously contemplated by the applicant;
  - there is no realistic chance of implementing the arrangement; or
  - the arrangement is revised or additional information provided, indicating that there is, in fact, no settled arrangement on which the ATO may rule;
- (b) the Ruling, or circumstances associated with the Ruling, could reasonably be misleading to participants. Falling within this category are requests where:
  - the Government has announced a change to the law upon which the Commissioner has been asked to rule;
  - the ATO cannot give a positive clearance on general anti-avoidance provisions; or

- the material provided in support of the application cannot reasonably be relied upon;
- (c) in the opinion of the Commissioner, insufficient information has been provided despite a request by the Commissioner for additional information. Falling within this category also are requests where material provided is inconsistent, inaccurate or contains errors such that the arrangement cannot be ascertained with particularity; and
- (d) in the opinion of the Commissioner it is unreasonable to comply with the application given the extent of resources available or other relevant matters. For example, the Commissioner may refuse to issue a Class Ruling in the following circumstances:
- in the case of protracted and very time consuming matters to which the Commissioner cannot devote resources;
  - where the issues are sufficiently covered by a previously issued public ruling; or
  - where statutory or other Government requirements (e.g., prospectuses, licences, approvals) have not been met and are not expected to be met, have expired, have been withdrawn, or are expected to expire or be withdrawn in the near future.

27. Class Rulings will generally be withdrawn where no longer needed. For example, a Class Ruling will be withdrawn where the arrangement in relation to which the Class Ruling issued is no longer to be implemented, the arrangement has been implemented but in a way materially different from that described in the Ruling, or where a replacement Ruling has issued. A Class Ruling, although withdrawn, will continue to bind the Commissioner in relation to those who entered into the arrangement as described in the Ruling during the currency of the Ruling.

## Detailed contents list

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28. Below is a detailed contents list for this Class Ruling:

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### Commissioner of Taxation

28 February 2001

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*Previous draft:*

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*Subject references:*

- Class Rulings
- Public Rulings
- taxation administration

*Legislative references*

- TAA 1953 14ZAAA
- TAA 1953 14ZAAD
- TAA 1953 14ZAAF
- TAA 1953 Pt IVA

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