


CR 2021/11 - Village Roadshow Limited - disposal of shares

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Class Ruling

Village Roadshow Limited – disposal of shares

① 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 how the relevant income tax provisions apply to Australian-resident shareholders of Village Roadshow Limited (VRL) who disposed of their VRL shares to Village Roadshow Corporation Pty Ltd (VRC) under VRL's Structure A Scheme.
2. Full details of the Structure A Scheme are set out in paragraphs 14 to 22 of this Ruling.
3. All legislative references 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 shareholder of VRL who acquired your VRL shares on or after 20 September 1985
 - disposed of your VRL shares, under the Structure A Scheme outlined in paragraphs 14 to 22 of this Ruling, on 29 December 2020 (Implementation Date)
 - received cash for the disposal of each of your VRL shares
 - held your VRL shares on capital account, that is, your VRL shares were not held as revenue assets (as defined in section 977-50) or as trading stock (as defined in subsection 995-1(1)), and
 - were a resident of Australia as defined in subsection 6(1) of the *Income Tax Assessment Act 1936* (ITAA 1936).

5. This Ruling does not apply to any individual or entity that is subject to the taxation of financial arrangements rules in Division 230 in relation to the scheme outlined in paragraphs 14 to 22 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 2020 to 30 June 2021.

Ruling

CGT event A1 happened on the disposal of Village Roadshow Limited shares

7. CGT event A1 happened when you disposed of each of your VRL shares under the Structure A Scheme outlined in paragraphs 14 to 22 of this Ruling (subsection 104-10(1)).

8. CGT event A1 happened on the Implementation Date (paragraph 104-10(3)(b)).

9. The capital proceeds from CGT event A1 happening to a VRL share is the amount of cash (being A\$3.00) you received in respect of the disposal of that VRL share (subsection 116-20(1)).

10. You made a capital gain from CGT event A1 happening if the capital proceeds from the disposal of a VRL share exceeded the cost base of that VRL share (subsection 104-10(4)).

11. You made a capital loss from CGT event A1 happening if the capital proceeds from the disposal of a VRL share were less than the reduced cost base of that VRL share (subsection 104-10(4)).

12. You take into account any capital gain or capital loss from CGT event A1 happening on the disposal of your VRL shares in working out your net capital gain or net capital loss for the income year in which CGT event A1 happens (sections 102-5 and 102-10).

13. If you made a capital gain, you can treat the capital gain as a 'discount capital gain' provided that the conditions of Subdivision 115-A are met. In particular, the VRL shares that were disposed of must have been acquired by you at least 12 months before the disposal date, being the Implementation Date.

Scheme

14. 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.

Village Roadshow Limited

15. VRL is a public company incorporated in Australia and was, until 30 December 2020, listed on the Australian Securities Exchange (ASX). VRL is a resident of Australia for the purposes of subsection 6(1) of the ITAA 1936.

16. As at 5 October 2020, VRL had 195,300,579 shares on issue to resident and non-resident shareholders.

Structure A Scheme

17. As part of a proposal for VRC to acquire all shares in VRL (other than those already owned by VRC), VRL announced on 6 August 2020 that it had entered into an agreement with VRC and other parties to implement two alternative-but-concurrent schemes of arrangement, known as the Structure A Scheme and the Structure B Scheme.

18. The Structure A Scheme was approved by VRL's shareholders (other than certain VRL shareholders that were excluded from voting and participating in the scheme) and the Federal Court of Australia in accordance with section 411 of the *Corporations Act 2001*.

19. The Structure A Scheme resulted in VRC acquiring all VRL shares from the VRL shareholders (other than certain excluded VRL shareholders) on the Implementation Date.

20. In exchange for the disposal of each VRL share on the Implementation Date, VRL shareholders received A\$3.00 cash.

Other matters

21. All dealings were at arm's length.

22. VRL was delisted from the ASX after the Implementation Date.

Commissioner of Taxation

10 February 2021

References

Previous draft:

Not previously issued as a draft

Legislative references:

- | | |
|--------------------------|-----------------------------|
| - ITAA 1936 6(1) | - ITAA 1997 104-10(4) |
| - ITAA 1997 102-5 | - ITAA 1997 Subdiv 115-A |
| - ITAA 1997 102-10 | - ITAA 1997 116-20(1) |
| - ITAA 1997 104-10(1) | - ITAA 1997 Div 230 |
| - ITAA 1997 104-10(3)(b) | - ITAA 1997 977-50 |
| | - ITAA 1997 995-1(1) |
| | - TAA 1953 |
| | - Corporations Act 2001 411 |

ATO references

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ATOlaw topic: Income tax ~~ Capital gains tax ~~ CGT events ~~ CGT event A1 – disposal of a CGT asset

Income tax ~~ Capital gains tax ~~ Capital proceeds

Income tax ~~ Capital gains tax ~~ Cost base and reduced cost base

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