


CR 2025/15 - Capitol Health Limited - scrip for scrip roll-over

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Status: **legally binding**

Class Ruling

Capitol Health Limited – scrip for scrip roll-over

📌 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 the income tax consequences for shareholders in Capitol Health Limited (Capitol) who disposed of their shares under a scheme of arrangement to Integral Diagnostics Limited (IDX) on 20 December 2024 (Implementation Date).
2. Details of this scheme are set out in paragraphs 22 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:
 - were registered on the Capitol share register as a shareholder on 13 December 2024 (Scheme Record Date) and you received IDX shares as consideration for the disposal of your Capitol shares
 - were 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 section 995-1) on the Implementation Date
 - held your Capitol shares on capital account – that is, you did not hold your Capitol shares as revenue assets (as defined in section 977-50) or as trading stock (as defined in subsection 995-1(1))
 - had not acquired your Capitol shares under an employee share scheme (as defined in section 83A-10)
 - were not subjected to the investment manager regime in Subdivision 842-I in relation to your Capitol shares, and
 - are not exempt from Australian income tax.

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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 22 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 Capitol Health Limited shares

7. CGT event A1 happened when you disposed of your Capitol shares to IDX (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 each Capitol share is the market value of the IDX shares you received in respect of your disposal of the Capitol share (subsection 116-20(1)). The market value of the IDX shares is worked out as at the time CGT event A1 happened. We accept that the market value of an IDX share as at the time of CGT event A1 was \$3.00.

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

Availability of scrip for scrip roll-over

11. Subject to the qualification in paragraph 12 of this Ruling, if you made a capital gain from the disposal of your Capitol shares, you may choose to obtain scrip for scrip roll-over for the capital gain (sections 124-780 and 124-785).

12. Scrip for scrip roll-over cannot be chosen if any capital gain you might make from a replacement IDX share would be disregarded, except because of a roll-over (paragraph 124-795(2)(a)).

Consequences if you choose scrip for scrip roll-over for your Capitol Health Limited shares

Capital gain is disregarded

13. If you choose scrip for scrip roll-over, you disregard the capital gain you made from CGT event A1 happening on the disposal of your Capitol shares (subsection 124-785(1)).

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Cost base and reduced cost base of shares in Integral Diagnostics Limited

14. If you choose scrip for scrip roll-over, the first element of the cost base and reduced cost base of a replacement IDX share you received is worked out by reasonably attributing to it the cost base and the reduced cost base (respectively) of the Capitol share for which it was exchanged and for which you obtained the roll-over (subsections 124-785(2) and (4)).

Acquisition date of shares in Integral Diagnostics Limited

15. For the purposes of working out whether a future capital gain from your replacement IDX shares is a 'discount capital gain', the IDX shares you acquired in exchange for your Capitol share are taken to have been acquired on the date you acquired, for CGT purposes, the corresponding Capitol share involved in the roll-over (table item 2 of subsection 115-30(1)).

Consequences if you do not choose, or cannot choose, scrip for scrip roll-over for your Capitol Health Limited shares

Capital gain is not disregarded

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

17. If you made a capital gain from CGT event A1 happening on the disposal of your Capitol shares where scrip for scrip roll-over is not chosen, or cannot be chosen, you can treat the capital gain as a discount capital gain provided that the conditions of Subdivision 115-A are met. In particular, the Capitol shares you disposed of must have been acquired at least 12 months (excluding the date of acquisition and the date of disposal) before the Implementation Date (section 115-25).

Cost base and reduced cost base of shares in Integral Diagnostics Limited

18. If you do not choose, or cannot choose, scrip for scrip roll-over, the first element of the cost base and reduced cost base of a replacement IDX share you received is equal to the market value of the Capitol share you gave in respect of acquiring the IDX share (subsections 110-25(2) and 110-55(2)).

19. The market value of the Capitol share you gave is worked out as at the time when you acquired the replacement IDX share on the Implementation Date.

20. The cost base and reduced cost base of your IDX shares will be the total market value of your Capitol shares (worked out as at the Implementation Date) divided by the number of IDX shares you received.

Acquisition date of shares in Integral Diagnostics Limited

21. If you do not choose, or cannot choose, scrip for scrip roll-over, the acquisition date of the replacement IDX shares is the date on which those shares were issued to you, being the Implementation Date (table item 2 of section 109-10).

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Scheme

22. 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.

Capitol Health Limited

23. Capitol is a company that was incorporated in Australia on 1 December 2005. It was the head company of an income tax consolidated group under Part 3-90.

24. Capitol was listed on the Australian Securities Exchange (ASX) on 9 June 2006.

25. The business of Capitol consists of the provision of diagnostic imaging modalities and related services to the Australian healthcare market.

26. Just before the Implementation Date, Capitol had 1,073,059,423 ordinary shares on issue. Capitol had no other classes of shares on issue.

Integral Diagnostics Limited

27. IDX is a company incorporated in Australia on 1 October 2015. It is the head company of an income tax consolidated group under Part 3-90.

28. IDX was listed on the ASX on 21 October 2015.

29. The business of IDX consists of the provision of medical imaging services across Australia and New Zealand.

30. Just before the Implementation Date, IDX had 233,961,997 ordinary shares on issue. IDX had no other classes of shares on issue.

Scheme of arrangement

31. On 18 July 2024, Capitol entered into a Merger Implementation Deed (MID) with IDX. Under the MID, Capitol agreed to propose that Capitol and its shareholders enter into a scheme of arrangement under Part 5.1 of the *Corporations Act 2001*, pursuant to which IDX would acquire all of the issued shares in Capitol in exchange for shares in IDX.

32. On 2 December 2024, a resolution in favour of the scheme of arrangement was passed by the shareholders of Capitol as required by subparagraph 411(4)(a)(ii) of the *Corporations Act 2001*.

33. The scheme of arrangement was approved by the Federal Court of Australia under paragraph 411(4)(b) and subsection 411(6) of the *Corporations Act 2001* on 10 December 2024, and became effective on 11 December 2024 (Scheme Effective Date).

34. The shares in Capitol were suspended from trading on the ASX at the close of trading on the Scheme Effective Date.

35. On the Implementation Date, IDX acquired all of the Capitol shares. As consideration:

- shareholders of Capitol received 0.12849 shares in IDX for each Capitol share they held on the Scheme Record Date
- Unmarketable Parcel Shareholders who did not make a valid election before the Scheme Record Date received cash equal to the market value of the

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IDX shares that would otherwise have been issued to them under the Scheme, and

- Ineligible Foreign Shareholders received the net cash proceeds from the sale by the Sale Agent of the IDX Shares that they would otherwise have been entitled to receive under the Scheme.

36. Capitol was removed from the official list of the ASX on 23 December 2024.

Other matters

37. There was no 'significant stakeholder' or 'common stakeholder' in Capitol or IDX within the meaning of those terms in section 124-783.

38. Just before the Implementation Date, Capitol and IDX each had more than 300 shareholders.

39. The Capitol shareholders and IDX were dealing with each other at arm's length in respect of the scheme of arrangement.

40. A Capitol shareholder, Capitol and IDX were not members of the same linked group (within the meaning given by section 170-260) just before the MID was entered into.

41. Paragraph 124-780(3)(f) is satisfied in respect of the disposal of Capitol shares to IDX.

42. IDX did not make a choice under subsection 124-795(4) that Capitol shareholders could not obtain roll-over under Subdivision 124-M for CGT event A1 happening in relation to the exchange of their Capitol shares.

Commissioner of Taxation

19 February 2025

Status: **not legally binding**

References

Legislative references:

- ITAA 1936 6(1)
 - ITAA 1997 83A-10
 - ITAA 1997 102-5
 - ITAA 1997 102-10
 - ITAA 1997 104-10
 - ITAA 1997 104-10(3)(b)
 - ITAA 1997 104-10(4)
 - ITAA 1997 109-10
 - ITAA 1997 110-25(2)
 - ITAA 1997 110-55(2)
 - ITAA 1997 Subdiv 115-A
 - ITAA 1997 115-25
 - ITAA 1997 115-30(1)
 - ITAA 1997 116-20(1)
 - ITAA 1997 Subdiv 124-M
 - ITAA 1997 124-780
 - ITAA 1997 124-780(3)(f)
 - ITAA 1997 124-783
 - ITAA 1997 124-785
 - ITAA 1997 124-785(1)
 - ITAA 1997 124-785(2)
 - ITAA 1997 124-785(4)
 - ITAA 1997 124-795(2)(a)
 - ITAA 1997 124-795(4)
 - ITAA 1997 170-260
 - ITAA 1997 Div 230
 - ITAA 1997 Pt 3-90
 - ITAA 1997 Subdiv 842-I
 - ITAA 1997 977-50
 - ITAA 1997 995-1
 - ITAA 1997 995-1(1)
 - Corporations Act 2001 Pt 5.1
 - Corporations Act 2001 411(4)(a)(ii)
 - Corporations Act 2001 411(4)(b)
 - Corporations Act 2001 411(6)
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ATO references

NO: 1-13IBYGTG
 ISSN: 2205-5517
 BSL: PG
 ATOLaw topic: Capital gains tax ~~ CGT events ~~ A1 - disposal of a CGT asset
 Capital gains tax ~~ Rollovers ~~ Scrip for scrip

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