

CR 2025/38 - Northern Co-operative Meat Company Limited - conversion to company and issue of bonus shares



This cover sheet is provided for information only. It does not form part of *CR 2025/38 - Northern Co-operative Meat Company Limited - conversion to company and issue of bonus shares*



Status: **legally binding**

Class Ruling

Northern Co-operative Meat Company Limited – conversion to company and issue of bonus shares

❗ Relying on this Ruling

This publication (excluding appendixes) 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	12
Appendix 1 – Explanation	49
Appendix 2 – Legislative provisions	83

What this Ruling is about

1. This Ruling sets out the income tax consequences for members of Northern Co-operative Meat Company Limited (NCMCL) upon the conversion of NCMCL to an unlisted public company registered under the *Corporations Act 2001* (Conversion) on 12 May 2025 (Conversion Date) and a subsequent issue of bonus shares on 14 May 2025 (Bonus Share Issue Date).
2. Details of this scheme are set out in paragraphs 12 to 48 of this Ruling.
3. All legislative references in this Ruling are to provisions of the *Income Tax Assessment Act 1936* or the *Income Tax Assessment Act 1997* (as detailed in the table in Appendix 2 of this Ruling) unless otherwise indicated.

Who this Ruling applies to

4. This Ruling applies to you if you:
 - were a 'resident of Australia' (as defined in subsection 6(1)) on the Conversion Date or Bonus Share Issue Date
 - were a member pursuant to the Rules of NCMCL adopted in October 2020 (Rules) who received shares in Casino Food Company Limited (CFCL) on

Status: **legally binding**

the Conversion Date and received additional shares in CFCL on the Bonus Share Issue Date (Bonus Shares), and

- held your NCMCL shares on capital account – that is, you did not hold your NCMCL shares as ‘revenue assets’ (as defined in section 977-50) or as ‘trading stock’ (as defined in subsection 995-1(1)).

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 12 to 48 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 12 May 2025 to 30 June 2025.

Ruling

CGT event C2 and Subdivision 124-I roll-over

7. CGT event C2 happened when your ‘membership interests’ (as defined in section 960-135) in NCMCL ended on the Conversion Date (section 104-25).

8. You can choose to obtain a roll-over under section 124-520 when your membership interests in NCMCL were converted to A Class shares or B Class shares (as the case may be) in CFCL on the Conversion Date.

Value shifting provisions do not apply

9. Neither Division 725 nor Division 727 will give rise to any consequences as a result of the issuance of the Bonus Shares.

Bonus Share not a dividend

10. Each Bonus Share will not constitute a ‘dividend’ (as defined in subsection 6(1)).

Sections 45, 45A and 45B do not apply to the Bonus Shares

11. Sections 45, 45A and 45B will not apply as a consequence of the issuance of the Bonus Shares.

Scheme

12. 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.

Status: **legally binding**

Northern Co-operative Meat Company Limited

13. NCMCL was established as a co-operative in 1933 and taken to be incorporated as a co-operative under the *Co-operatives (Adoption of National Law) Act 2012* (NSW) (Co-operatives Act).

14. NCMCL was governed by the Rules and its objective, primarily, was the acquisition of animals and commodities from its members for disposal or distribution, and secondarily, the storage, marketing, packaging or processing of commodities of its members and the rendering of services to its members.

15. NCMCL was a distributing co-operative under the Co-operatives Act such that it was not prohibited from paying distributions of dividends or returns of share capital.

16. NCMCL had not paid a dividend since the income year ended 30 June 2021, had not made distributions of bonus shares since December 2015 and had never made a return of capital or share premium.

17. No member of NCMCL, either alone or together with its associates, had more than 5% of the nominal value of issued share capital of NCMCL.

Active Members and Qualifying Former Members

18. Broadly, in order to have qualified as active members of NCMCL (Active Members), the members must have supplied the minimum kilograms of animals to NCMCL in the current financial year or in the immediately preceding financial year.

19. If members of NCMCL failed to supply the requisite minimum quantity of animals by the end of the current financial year, the members were deemed to be inactive members.

20. Inactive members held shares in NCMCL until their memberships were cancelled and their shares were forfeited, at which point they would become former members of NCMCL (Former Members). Within 12 months of the membership cancellation, NCMCL would refund the capital paid up on the forfeited shares to Former Members.

21. To be treated as holders of shares in NCMCL for the purposes of participating in the Conversion, Former Members must have had their shares forfeited within the 2 years prior to the passing of a special resolution approving the Conversion (paragraph 168(1)(b) of the Co-operatives Act) as a result of the failure to supply the minimum kilograms of animals to NCMCL. If Former Members had their capital refunded to them by NCMCL before the date of the special resolution (due to the cancellation of their membership), they must have also repaid the capital refunded to them by NCMCL.

22. In this Ruling, Former Members who participated in the Conversion are referred to as 'Qualifying Former Members', and a Qualifying Former Member's right to participate in the Conversion is referred to as a 'Qualifying Membership Interest'.

23. Some Active Members of NCMCL had pre-CGT interests in NCMCL.

24. For the avoidance of doubt, no Qualifying Former Member, just before the Conversion, held Qualifying Membership Interests which were acquired by the Qualifying Former Member before 20 September 1985.

Conversion

25. On 17 October 2024, the board of directors of NCMCL proposed to convert NCMCL from a co-operative incorporated under the Co-operatives Act to CFCL, an unlisted public company incorporated under the *Corporations Act 2001* (Corporations Act). The purpose

Status: **legally binding**

of the Conversion was to allow for a permanent capital base and provide greater access to capital without the limitations imposed by the Co-operatives Act.

26. Just before the Conversion:

- the owners of NCMCL comprised Active Members and Qualifying Former Members only
- NCMCL had on issue 308,946 shares held by 444 Active Members, and 11,202 Qualifying Membership Interests held by 20 Qualifying Former Members
- Active Members who held shares in NCMCL had the right to vote on the basis of one vote for each member (subsection 228(2) of the Co-operatives Act), the right to receive dividends and the right to distributions of capital, and
- Qualifying Former Members who held Qualifying Membership Interests in NCMCL had the right to receive dividends and the right to distributions of capital, but not the right to vote.

27. The Conversion occurred on the Conversion Date.

28. Pursuant to paragraph 601BM(1)(a) of the Corporations Act and section 409 of the Co-operatives Act, no new legal entity was created as a result of the Conversion, and CFCL is taken to be the same legal entity as NCMCL.

29. CFCL is subject to the rules of its Constitution dated 12 May 2025.

30. On the Conversion Date:

- each Active Member was issued with one A Class share in CFCL for each share they held in NCMCL, and
- each Qualifying Former Member was issued with one B Class share in CFCL for each Qualifying Membership Interest they held in NCMCL.

31. Active Members and Qualifying Former Members who received A or B Class shares upon Conversion are collectively referred to in this Ruling as 'Initial Shareholders'.

32. As a result of the Conversion, Initial Shareholders did not receive any other form of consideration or anything else.

33. The A Class shares in CFCL include the right to vote on the basis of one vote for each A Class share held, the right to receive dividends, and the right to distributions of capital.

34. The B Class shares in CFCL include the right to receive dividends and the right to distributions of capital, but not the right to vote.

35. In regard to Active Members, the market value of each share in NCMCL just before the Conversion equalled the market value of each corresponding A Class share in CFCL just after the Conversion.

36. In regard to Qualifying Former Members, the market value of each Qualifying Membership Interest in NCMCL just before the Conversion equalled the market value of each corresponding B Class share in CFCL just after the Conversion.

37. After the Conversion, NCMCL ceased to be registered as a co-operative and the members' interests in NCMCL ended.

Status: **legally binding**

Bonus Shares

38. On the Bonus Share Issue Date, Initial Shareholders of CFCL were issued with Bonus Shares for nil consideration.
39. With respect to the issuance of the Bonus Shares, CFCL and each Initial Shareholder were dealing with each other at arm's length.
40. The purpose of the issuance of the Bonus Shares was to ensure that the Initial Shareholders were adequately rewarded for their contribution to NCMCL.
41. Approximately 668,000 Bonus Shares in aggregate were issued to all Initial Shareholders.
42. The type of Bonus Shares received by each Initial Shareholder was dependent on the type of share in CFCL already held by each Initial Shareholder. Therefore, Initial Shareholders who held A Class shares in CFCL received A Class Bonus Shares only; while Initial Shareholders who held B Class shares in CFCL received B Class Bonus Shares only.
43. The number of Bonus Shares issued to each Initial Shareholder was calculated based on each Initial Shareholder's years of involvement and tonnage of animals supplied to NCMCL.
44. The issuance of the Bonus Shares did not involve:
- Initial Shareholders contributing any additional capital or paying any fee to CFCL
 - CFCL raising any funds either internally or externally
 - any debit or credit entries to the equity accounts, retained profit accounts, reserve accounts or share capital accounts of CFCL, or
 - any amount credited by CFCL to any of the Initial Shareholders in their capacity as shareholders.
45. The issuance of the Bonus Shares was recorded on the Australian Securities and Investments Commission share register.
46. CFCL did not have a history of making distributions of dividends, bonus shares or returns of capital prior to the issuance of the Bonus Shares.

Other matters

47. No shareholder, either individually or together with its associates, held more than 15% of the shares in CFCL during the 'scheme period' (as defined in section 725-55) in relation to the Bonus Shares.
48. No shareholder, either individually or together with its associates, in fact controlled CFCL during the 'scheme period' (as defined in section 725-55) in relation to the Bonus Shares.

Commissioner of Taxation

4 June 2025

Status: **not legally binding**

Appendix 1 – 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.*

Table of Contents	Paragraph
CGT event C2 and Subdivision 124-I roll-over	49
<i>CGT event C2</i>	49
<i>Conditions for Subdivision 124-I roll-over</i>	52
<i>Consequences if Subdivision 124-I roll-over is chosen</i>	65
Value shifting provisions do not apply	68
Bonus Share not a dividend	73
Sections 45, 45A and 45B do not apply to the Bonus Shares	76
<i>Section 45</i>	76
<i>Sections 45A and 45B</i>	78

CGT event C2 and Subdivision 124-I roll-over

CGT event C2

49. CGT event C2 happens if the ownership of an intangible CGT asset ends by the asset being, among other things, redeemed or cancelled (subsection 104-25(1)). The time of the event is when a contract is entered into which results in the asset ending or, if there is no contract, when the asset ends (subsection 104-25(2)).

50. CGT event C2 happened when an Active Member's shares in NCMCL ended on the Conversion Date (section 104-25).

51. CGT event C2 also happened when a Qualifying Former Member's Qualifying Membership Interests in NCMCL ended on the Conversion Date (section 104-25).

Conditions for Subdivision 124-I roll-over

52. Subdivision 124-I allows a member of a body that is incorporated under a law other than company law to choose roll-over for a CGT event that happens if all the relevant conditions listed in subsections 124-520(1) and (2) are met.

53. You must be a member of a body that is incorporated under a law described in column 1 of a table item of subsection 124-520(1) (paragraph 124-520(1)(a)).

54. Paragraph 124-520(1)(a) is satisfied because:

- Active Members were members of NCMCL which was incorporated under the Co-operatives Act (being a law other than the Corporations Act, a similar foreign law or the *Corporations (Aboriginal and Torres Strait Islander) Act 2006*), and
- Qualifying Former Members were treated as the holders of shares in NCMCL under paragraph 168(1)(b) of the Co-operatives Act, and therefore were members of NCMCL.

Status: **not legally binding**

55. The body must be converted into a company incorporated under a law described in column 2 of a table item of subsection 124-520(1), without creating a new legal entity (paragraph 124-520(1)(b)).

56. Paragraph 124-520(1)(b) is satisfied because:

- CFCL is a company that was incorporated under the Corporations Act, and
- pursuant to paragraph 601BM(1)(a) of the Corporations Act and section 409 of the Co-operatives Act, the incorporation of CFCL as a result of the Conversion did not create a new legal entity.

57. Paragraph 124-520(1)(c) requires that it is reasonable to conclude that there is no significant difference:

- between the ownership of the body, and of rights relating to the body held by entities that owned the body, just before the conversion and the ownership of the company just after the conversion (subparagraph 124-520(1)(c)(i)), or
- between the mix of ownership of the body, and of rights relating to the body held by entities that owned the body, just before the conversion and the mix of the ownership of the company just after the conversion (subparagraph 124-520(1)(c)(ii)).

58. Subparagraph 124-520(1)(c)(i) is satisfied because:

- just before the Conversion, the owners of NCMCL were Active Members who held shares and Qualifying Former Members who held Qualifying Membership Interests in NCMCL, and
- just after the Conversion, the owners of CFCL were the Initial Shareholders (that is, Active Members and Qualifying Former Members of NCMCL who were issued with A Class shares and B Class shares (respectively) in CFCL).

59. Subparagraph 124-520(1)(c)(ii) is also satisfied because:

- on Conversion, Active Members were issued with the same number of A Class shares in CFCL as the shares they held in NCMCL just before the Conversion
- on Conversion, Qualifying Former Members were issued with the same number of B Class shares in CFCL as the Qualifying Membership Interests they held in NCMCL just before the Conversion
- the A Class and B Class shares carry the same dividend and capital distribution and voting rights as the shares and Qualifying Membership Interests (respectively) held by Active Members and Qualifying Former Members (respectively) in NCMCL, and
- in relation to Active Members, the change in their voting rights from one vote per member (as Active Members of NCMCL under subsection 228(2) of the Co-operatives Act) to one vote per share (as Initial Shareholders of A Class Shares in CFCL under the Corporations Act) did not cause a significant difference to the mix of ownership of NCMCL just before the Conversion and the mix of ownership of CFCL just after the Conversion.

60. As a result of the Conversion, you must be issued with shares in the company and receive nothing else (paragraph 124-520(2)(a)).

Status: **not legally binding**

61. Paragraph 124-520(2)(a) is satisfied as all Active Members and Qualifying Former Members, under the Conversion, were issued with shares in CFCL only (that is, A Class shares and B Class shares respectively) and received nothing else.

62. You must be an Australian resident at the time of Conversion (paragraph 124-520(2)(b)).

63. Paragraph 124-520(2)(b) is satisfied as you were a 'resident of Australia' (as defined in subsection 6(1)) on the Conversion Date.

64. As all the relevant conditions in section 124-520 are satisfied, you can choose to obtain roll-over under Subdivision 124-I when your shares or Qualifying Membership Interests in NCMCL were converted to A Class shares (for Active Members) or B Class shares (for Qualifying Former Members) on the Conversion Date.

Consequences if Subdivision 124-I roll-over is chosen

65. If you were an Active Member who held shares in NCMCL that were acquired before 20 September 1985 (pre-CGT shares) and you choose to obtain a roll-over under Subdivision 124-I, as you received one A Class share for each pre-CGT share you held, the corresponding A Class share in CFCL you received in exchange for the pre-CGT share is taken to have been acquired before that day (subsections 124-15(4) and 124-530(2)).

66. If you were an Active Member who held shares in NCMCL that were acquired on or after 20 September 1985 (post-CGT shares) and you choose to obtain a roll-over under Subdivision 124-I, you can disregard any capital gain or capital loss made from the ending of your post-CGT shares on the Conversion Date (subsection 124-15(2)). The first element of the cost base or reduced cost base of each A Class share in CFCL you acquired in exchange for your post-CGT share is worked out by dividing the total of the cost bases or the total of the reduced cost bases of your post-CGT shares (worked out when your ownership of them ended) by the number of A Class shares in CFCL you acquired (subsections 124-15(3) and 124-530(3) to (5)).

67. If you were a Qualifying Former Member who chooses to obtain a roll-over under Subdivision 124-I, you can disregard any capital gain or capital loss made from the ending of your Qualifying Membership Interests on the Conversion Date (subsection 124-15(2)). The first element of the cost base or reduced cost base of each B Class share in CFCL you acquired in exchange for your Qualifying Membership Interest is worked out by dividing the total of the cost bases or the total of the reduced cost bases of your Qualifying Membership Interests (worked out when your ownership of them ended) by the number of B Class shares in CFCL you acquired (subsection 124-15(3)).

Value shifting provisions do not apply

68. There can be capital gains tax and income tax consequences under Division 725 where there is a 'direct value shift' as defined in section 725-145, or under Division 727 where there is an 'indirect value shift' as defined in section 727-150.

69. The direct value shifting rules in Division 725 do not have consequences unless there is an entity that controls (for value shifting purposes) the target entity at some time during the period starting when the scheme is entered into and ending when it has been carried out (paragraph 725-50(b), and sections 725-55 and 727-355).

70. The issuance of the Bonus Shares did not give rise to direct value shift consequences as no shareholder, either alone or with its associate, controlled (for value

Status: **not legally binding**

shifting purposes) CFCL at any time from when the scheme was entered into until when it had been carried out (paragraph 725-50(b), and sections 725-55 and 727-355).

71. The indirect shifting rules in Division 727 do not have consequences unless the losing entity and the gaining entity are not dealing with each other at arm's length (paragraph 727-100(b)).

72. The issuance of the Bonus Shares did not give rise to indirect value shift consequences as CFCL and each Initial Shareholder were dealing with each other at arm's length (paragraph 727-100(b)).

Bonus Share not a dividend

73. Subsection 6(1) defines 'dividend' for the purposes of the income tax legislation to include:

- (a) any distribution made by a company to any of its shareholders, whether in money or other property; and
- (b) any amount credited by a company to any of its shareholders as shareholders ...

74. The issuance of Bonus Shares to the Initial Shareholders did not involve a distribution of money or property of CFCL and no amount was credited by CFCL to any of the Initial Shareholders in their capacity as shareholders.

75. Therefore, each Bonus Share did not constitute a 'dividend'.

Sections 45, 45A and 45B do not apply to the Bonus Shares

Section 45

76. Section 45 applies where a company streams the provision of shares and the payment of minimally franked dividends to its shareholders in such a way that the shares are received by some shareholders (but not all shareholders) and minimally franked dividends are received by other shareholders (subsection 45(1)).

77. As no payments of dividends are contemplated under the scheme, section 45 will not apply in relation to the issuance of the Bonus Shares. Therefore, the value of each Bonus Share issued to you will not be taken to be a dividend under subsection 45(2).

Sections 45A and 45B

78. Section 45A generally applies where a company streams capital benefits to some shareholders who would derive a greater benefit from the receipt of capital than other shareholders, and it is reasonable to assume that those other shareholders have received, or will receive, dividends (subsection 45A(1)).

79. As no payments of dividends are contemplated under the scheme, section 45A will not apply in relation to the issuance of the Bonus Shares.

80. Section 45B generally applies where, having regard to the relevant circumstances of the scheme (as set out in subsection 45B(8)), a company provided a capital benefit to its shareholders for a more than incidental purpose of enabling a taxpayer to obtain a tax benefit.

81. Having regard to the relevant circumstances of the scheme, it cannot be concluded that issuance of the Bonus Shares was entered into or carried out for a more than incidental purpose of enabling you to obtain a tax benefit.

Status: **not legally binding**

82. Therefore, we will not make a determination under subsection 45A(2) or paragraph 45B(3)(b) that section 45C applies to the whole, or a part, of the Bonus Shares issued to you, and each Bonus Share will not be taken to be a dividend under subsection 45C(1).

Status: **not legally binding****Appendix 2 – Legislative provisions**

83. Legislative references in this Ruling are to provisions of the *Income Tax Assessment Act 1936*, or to provisions of the *Income Tax Assessment Act 1997* as detailed in Table 1 of this Ruling.

Table 1: Provisions of the *Income Tax Assessment Act 1936* and *Income Tax Assessment Act 1997* ruled upon or referenced in this Ruling

<i>Income Tax Assessment Act 1936</i>	subsection 6(1)
<i>Income Tax Assessment Act 1936</i>	section 45
<i>Income Tax Assessment Act 1936</i>	subsection 45(1)
<i>Income Tax Assessment Act 1936</i>	subsection 45(2)
<i>Income Tax Assessment Act 1936</i>	section 45A
<i>Income Tax Assessment Act 1936</i>	subsection 45A(1)
<i>Income Tax Assessment Act 1936</i>	subsection 45A(2)
<i>Income Tax Assessment Act 1936</i>	section 45B
<i>Income Tax Assessment Act 1936</i>	paragraph 45B(3)(b)
<i>Income Tax Assessment Act 1936</i>	subsection 45B(8)
<i>Income Tax Assessment Act 1936</i>	section 45C
<i>Income Tax Assessment Act 1936</i>	subsection 45C(1)
<i>Income Tax Assessment Act 1997</i>	section 104-25
<i>Income Tax Assessment Act 1997</i>	subsection 104-25(1)
<i>Income Tax Assessment Act 1997</i>	subsection 104-25(2)
<i>Income Tax Assessment Act 1997</i>	subsection 124-15(2)
<i>Income Tax Assessment Act 1997</i>	subsection 124-15(3)
<i>Income Tax Assessment Act 1997</i>	subsection 124-15(4)
<i>Income Tax Assessment Act 1997</i>	Subdivision 124-I
<i>Income Tax Assessment Act 1997</i>	section 124-520
<i>Income Tax Assessment Act 1997</i>	subsection 124-520(1)
<i>Income Tax Assessment Act 1997</i>	paragraph 124-520(1)(a)
<i>Income Tax Assessment Act 1997</i>	paragraph 124-520(1)(b)
<i>Income Tax Assessment Act 1997</i>	paragraph 124-520(1)(c)
<i>Income Tax Assessment Act 1997</i>	subparagraph 124-520(1)(c)(i)
<i>Income Tax Assessment Act 1997</i>	subparagraph 124-520(1)(c)(ii)
<i>Income Tax Assessment Act 1997</i>	subsection 124-520(2)
<i>Income Tax Assessment Act 1997</i>	paragraph 124-520(2)(a)
<i>Income Tax Assessment Act 1997</i>	paragraph 124-520(2)(b)
<i>Income Tax Assessment Act 1997</i>	subsection 124-530(2)
<i>Income Tax Assessment Act 1997</i>	subsection 124-530(3)
<i>Income Tax Assessment Act 1997</i>	subsection 124-530(4)
<i>Income Tax Assessment Act 1997</i>	subsection 124-530(5)
<i>Income Tax Assessment Act 1997</i>	Division 230
<i>Income Tax Assessment Act 1997</i>	Division 725
<i>Income Tax Assessment Act 1997</i>	paragraph 725-50(b)
<i>Income Tax Assessment Act 1997</i>	section 725-55
<i>Income Tax Assessment Act 1997</i>	section 725-145
<i>Income Tax Assessment Act 1997</i>	Division 727
<i>Income Tax Assessment Act 1997</i>	paragraph 727-100(b)

CR 2025/38

Status: **not legally binding**

<i>Income Tax Assessment Act 1997</i>	section 727-150
<i>Income Tax Assessment Act 1997</i>	section 727-355
<i>Income Tax Assessment Act 1997</i>	section 960-135
<i>Income Tax Assessment Act 1997</i>	section 977-50
<i>Income Tax Assessment Act 1997</i>	subsection 995-1(1)

Status: **not legally binding**

References

Legislative references:

- Corporations (Aboriginal and Torres Strait Islander) Act 2006
- Corporations Act 2001 601BM(1)(a)
- Co-operatives (Adoption of National Law) Act 2012 (NSW) 168(1)(b)

- Co-operatives (Adoption of National Law) Act 2012 (NSW) 228(2)
- Co-operatives (Adoption of National Law) Act 2012 (NSW) 409

ATO references

NO: 1-11UYQO47

ISSN: 2205-5517

BSL: PG

ATOlaw topic: Capital gains tax ~~ Rollovers ~~ Exchange of shares
Tax integrity measures ~~ General value shifting regime

© **AUSTRALIAN TAXATION OFFICE FOR THE COMMONWEALTH OF AUSTRALIA**

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).