


TR 96/14A - Addendum - Income tax: Traditional Securities

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Addendum

Taxation Ruling

Income tax: Traditional Securities

This Addendum amends Taxation Ruling TR 96/14 to bring the views expressed in that Ruling into conformity with amendments to sections 26BB and 70B of the *Income Tax Assessment Act 1936* enacted in the *New Business Tax System (Taxation of Financial Arrangements) Act (No. 1) 2003*, which received Royal Assent on 17 December 2003.

Taxation Ruling TR 96/14 is amended as follows:

After paragraph 3 add paragraph 3A

The *New Business Tax System (Taxation of Financial Arrangements) Act (No. 1) 2003*, amended sections 26BB and 70B of the *Income Tax Assessment Act 1936* by inserting subsections 26BB(4) and 26BB(5) and subsections 70B(2B) and 70B(2C). The effect of these amendments is that subsections 26BB(2) and 70B(2) do not apply to the disposal or redemption of a traditional security if the security:

- i) was issued after 7:30pm by legal time in the Australian Capital Territory on 14 May 2002; and
- ii) was issued on the basis that the security will or may be:
 - a. disposed of or redeemed because of conversion into ordinary shares of the issuer or a connected entity of the issuer;
 - b. redeemed for ordinary shares in a company other than the issuer or a connected entity of the issuer; or
 - c. disposed of to the issuer or a connected entity of the issuer in exchange for ordinary shares in a company other than the issuer or a connected entity of the issuer; and
- iii) the disposal or redemption took place pursuant to a provision of the issue of the security that is listed at (ii) above.

Accordingly, this Ruling does not apply to disposals or redemptions of traditional securities that fall within the terms of these amendments.

At the end of paragraph 101 add paragraph 101A

The *New Business Tax System (Taxation of Financial Arrangements) Act (No. 1) 2003*, amended sections 26BB and 70B of the *Income Tax Assessment Act 1936* by inserting subsections 26BB(4) and 26BB(5) and subsections 70B(2B) and 70B(2C). The effect of these amendments is that subsections 26BB(2) and 70B(2) do not apply to the disposal or redemption of a traditional security if the security:

- i) was issued after 7:30pm by legal time in the Australian Capital Territory on 14 May 2002; and
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 - a. disposed of or redeemed because of conversion into ordinary shares of the issuer or a connected entity of the issuer;
 - b. redeemed for ordinary shares in a company other than the issuer or a connected entity of the issuer; or
 - c. disposed of to the issuer or a connected entity of the issuer in exchange for ordinary shares in a company other than the issuer or a connected entity of the issuer; and
- iii) the disposal or redemption took place pursuant to a provision of the issue of the security that is listed at (ii).

For securities that meet all of the above conditions, it will not be necessary to determine the money value of the shares.

This Addendum applies from 7:30pm by legal time in the Australian Capital Territory on 14 May 2002, the effective date of the amendments.

Commissioner of Taxation

24 March 2004

ATO references

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