



Australian Government

The Treasury

CONSOLIDATION

SUMMARY OF CONSULTATION PROCESS

The Government announced on 13 May 2008 that it would amend the income tax law to clarify the operation of certain aspects of the consolidation regime and improve interactions between the consolidation regime and other parts of the law.

This measure was included in Tax Laws Amendment (2010 Measures No 1) Bill 2010, which was introduced into Parliament on 10 February 2010.

Consultation process

Consultation on exposure draft legislation was conducted between 28 April 2009 and 24 December 2009. Key consultation meetings were held in Melbourne on 8 May 2009, 20 August 2009, 23 October 2009 and 15 December 2009. 16 key submissions, together with a number of supplementary submissions, were received. Four of the key submissions were made in-confidence.

The key submissions, other than those that were made in-confidence, can be viewed on the [Treasury website](#).

Summary of key issues

The main issues raised in the consultation process related to the application dates for the amendments, the need to re-open elections that were made on the transition to the consolidation regime and the need to address difficulties that arise where a loss of a joining entity is discovered after the joining time.

Concerns were also raised about various technical aspects of the measures. In particular, considerable focus was placed on the measure to clarify the use of the tax cost setting amount for an asset (Part 1 of the amendments). Representations were also made seeking amendments to modify the mechanism for making various choices in relation to the formation of, or changes to, a consolidated group and to modify the tax cost setting rules where a joining or leaving entity has issued non-membership equity interests.

As a result of consultation, the application dates for many of the measures were modified. In many cases taxpayers will have the option to apply beneficial amendments from 1 July 2002, weighing up the benefits of applying the amendments retrospectively and the compliance cost implications of re-opening past assessments. Amendments that have an adverse impact will apply prospectively. These changes were made as a compromise to the proposal to re-open transitional elections.



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Significant changes were made to the amendments which clarify that the tax cost setting amount for an asset can be used for tax purposes. Numerous examples were included in the explanatory memorandum to illustrate the operation of these amendments.

Amendments were also included in the package to modify the mechanism for making various choices in relation to the formation of, or changes to, a consolidated group (Part 18 of the amendments) and to modify the tax cost setting rules when a joining or leaving entity has issued non-membership equity interests (Part 20 of the amendments).

Proposals to address difficulties that arise where a loss of a joining entity is discovered after the joining time are still under consideration.

Feedback

Feedback on the consultation process for this measure can be forwarded to consultation@treasury.gov.au. Alternatively, you can contact Tony Regan on 02 6263 3334.

Thank you to all participants in the consultation process.