

ROLLOVER PROVISIONS FOR ENTITIES

Measures will be introduced to provide ongoing relief for rollovers into companies and fixed trusts and transitional rollover relief for fixed trusts restructuring to a company and for companies restructuring to CIVs, providing certain conditions are satisfied. These changes will facilitate restructuring as a result of the unified entity regime. The Government will seek early consultations with the States and Territories with the objective of removing any tax obstacles to entity restructuring.

Key features

Key design features are as follows:

- *ongoing* relief will be provided for the transfer of all assets, or the transfer of an entire business, from an individual, partnership or joint venture of individuals to a company or fixed trust where underlying economic interests in the assets or business remain unchanged, and the tax values of the assets immediately after the transfer is completed are the same as the tax values immediately prior to the transfer, commencing with effect from 1 July 2001;
- *transitional* rollover relief will be provided for the transfer of all assets, or the direct transfer of an entire business from a fixed trust to a company, provided that the underlying economic interests in the assets or business remain unchanged, all assets are transferred on the same date and the fixed trust ceases to exist after the transfer is complete, and the tax values of the assets immediately after the transfer is completed are the same as the tax values immediately prior to the transfer, with effect from 1pm, Australian eastern summer time, 11 November 1999 and until 1 July 2001; and
- *transitional* rollover relief will be provided for the transfer of all assets, or the direct transfer of an entire business from a company to a unit trust that will be taxed under the CIV regime provided that the underlying economic interests in the assets or business remain unchanged, all assets are transferred on the same date, the entity ceases to exist after the transfer is complete and if the transfer occurs before the commencement of the CIV regime, the new unit trust elects to be taxed as a trading trust between the date of transfer of the assets to the unit trust and commencement of the collective investment vehicle (CIV) regime, and the tax values of the assets immediately after the transfer is completed are the same as the tax values immediately prior to the transfer, with effect from 1pm, Australian eastern summer time, 11 November 1999 and until 1 July 2001.

Commencement date

The rationalised ongoing relief for rollovers into entities will commence from 1 July 2001. The transitional rollover relief for restructuring into a different entity form will be available from 1pm, Australian eastern summer time, 11 November 1999 and available until 1 July 2001.

Current arrangements

Rollover relief is currently available to entities restructuring in a variety of circumstances.

Why the change is needed

A Tax System Redesigned recommended (13.10) providing ongoing relief for rollovers into entities where there is no change in economic ownership. This measure will add to the neutrality and consistency of the tax system, and will allow commercial decisions on business structure to be made without undue effects from taxation consequences.