

## **Subpart MF—Available subscribed capital accounts**

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## *Introductory provisions*

### **MF 1 General rules for companies with ASC accounts**

#### *ASC account company*

- (1) A qualifying unit trust or a group investment that derives category A income may choose to become an ASC account company.

#### *ASC account*

- (2) An ASC account company must maintain an ASC account for a tax year. The account is a record of ASC account credits and ASC account debits that arise in the account during the tax year.

#### *Credits*

- (3) Credits to the account include redemption proceeds that are less than the ASC company's available subscribed capital calculated under the slice rule.

#### *Debits*

- (4) Debits to the account include a transfer of a credit balance to the company's imputation credit account.

Defined in this Act: ASC account, ASC account company, available subscribed capital, category A income, company, group investment fund, imputation credit account, qualifying unit trust, slice rule, tax year

Origin: 2004 No 35 ss MJ 1(1), MJ 5(1), MJ 6(1)

### **MF 2 ASC accounts**

The general rules on memorandum accounts set out in sections MA 2 and MA 3 (which relate to the treatment of memorandum accounts) apply to the ASC account of an ASC account company.

Defined in this Act: ASC account, ASC account company, memorandum account

Origin: 2004 No 35 s MJ 3(1)

### **MF 3 Choosing to become ASC account company**

#### *Election*

- (1) A company may choose to become an ASC account company if—
  - (a) it is a qualifying unit trust, or a group investment fund that derives category A income; and

- (b) it has issued shares on terms that their redemption will be subject to section CD 14(4) (Returns of capital: off-market share cancellations).

***Notifying Commissioner***

- (2) A company that makes an election under subsection (1) must notify the Commissioner of the election no later than the day on which the company is required to file a return of income for the tax year that corresponds to the income year in which the election is made.

***Effect of election***

- (3) An ASC account company must maintain the ASC account referred to in section MF 1(2) from the day the company chooses to become an ASC account company.

Defined in this Act: ASC account company, category A income, Commissioner, company, group investment fund, income year, notify, qualifying unit trust, return of income, share, tax year

Origin: 2004 No 35 s MJ 1(1)

**MF 4 When qualifying trust or group investment fund is liquidated**

***When this section applies***

- (1) This section applies when a qualifying unit trust or group investment fund is liquidated without having become an ASC account company.

***Becoming ASC account company with opening credit balance***

- (2) The trust or fund may become an ASC account company and calculate an opening credit balance under section MA 7 (Opening balances of memorandum accounts).

***Opening credit balance treated as closing credit balance***

- (3) The opening credit balance in subsection (2) is treated as the closing credit balance of the ASC account.

Defined in this Act: ASC account company, group investment fund, liquidation, qualifying unit trust

Origin: 2004 No 35 s MJ 7

## *ASC account credits*

**Table M11: ASC account credits**

Row	ASC account credit	Credit date	Further defined
1	<i>Opening credit balance</i>		
	Opening credit balance	1 April	section MA 7
2	<i>Redemption credit</i>		
	The amount by which the ASC is more than the proceeds on a redemption of shares	day the shares are redeemed	section MF 5
<p><b>How to use this table</b>            Each row of the table describes—</p> <p>(a) the ASC account credits that may arise in the ASC account of an ASC account company during a tax year; and</p> <p>(b) the credit date when the credit arises.</p> <p>A more detailed description of the ASC account credits is contained in the section noted in the last column.</p>			

### **MF 5 ASCA redemption credit**

#### *Credit*

- (1) An ASC account company has an ASC account credit as described in table M11: ASC account credits, row 2 (redemption credit) when the company redeems a share in the company for an amount calculated using the formula—

$$\text{ASC amount} - \text{redemption proceeds.}$$

#### *Definition of items in formula*

- (2) In the formula,—
- (a) **ASC amount** is the amount of the available subscribed capital for the redemption calculated under section CD 14(4) (Returns of capital: off-market share cancellations):
- (b) **redemption proceeds** is the amount of the proceeds from the redemption calculated under sections CD 3 to CD 5 (which relate to the nature of a dividend).

#### *Positive result*

- (3) If the result of the formula in subsection (1) is negative, the amount is treated as zero.

***Credit date***

- (4) The credit date is the day the company redeems the share.

Defined in this Act: amount, ASC account, ASC account company, ASC account credit, available subscribed capital, share

Origin: 2004 No 35 s MJ 5(1)

***ASC account debits***

**Table M12: ASC account debits**

Row	ASC account debit	Debit date	Further defined
1	<i>Opening debit balance</i>		
	Opening debit balance	1 April	section MA 7
2	<i>Transfer to imputation credit account</i>		
	A transfer of a credit balance to the imputation credit account	set out in section MF 7	section MF 7
<p><b>How to use this table</b>            Each row of the table describes—</p> <p>(a) the ASC account debits that may arise in the ASC account of an ASC account company during a tax year; and</p> <p>(b) the debit date when the debit arises.</p> <p>A more detailed description of the ASC account debits and, as necessary, their debit dates is contained in the section in the last column.</p>			

**MF 6 ASCA transfer to imputation credit account**

***Election***

- (1) An ASC account company may choose that some or all of the credit balance in the company's ASC account is transferred to the company's imputation credit account.

***Debit and credit***

- (2) The amount of the credit balance transferred is—
- (a) an ASC account debit described in table M12: ASC account debits, row 2 (transfer to imputation credit account) for the full amount of the credit balance transferred; and
- (b) an imputation credit described in table M1: imputation credits, row 16 (transfer from ASC account) for the amount calculated under subsection (3).

***Amount***

- (3) The amount of the credit to the imputation credit account is calculated using the formula—

$$\text{credit balance} \times \text{maximum imputation ratio.}$$

***Definitions of items in formula***

- (4) In the formula in subsection (3),—
- (a) **credit balance** is the credit balance in the company's ASC account at the time of the transfer;
  - (b) **maximum imputation ratio** is the maximum imputation ratio calculated using the formula in subsection (5).

***Ratio formula***

- (5) The maximum imputation ratio is calculated using the formula—

$$\frac{\text{tax rate}}{(1 - \text{tax rate}).}$$

***Definition of item in formula***

- (6) In the formula in subsection (5), **tax rate** is the decimal fraction that is the basic rate of income tax for companies set out in schedule 1, part A, clause 5 (Basic rates of income tax and specified superannuation contribution withholding tax).

***Timing of election***

- (7) An election under subsection (1) may be made at any time when the company is an ICA company.

***Manner of election***

- (8) A company makes an election under subsection (1) by recording the credit balance transferred as—
- (a) a debit in the company's ASC account; and
  - (b) a credit in the company's imputation credit account.

***Debit date***

- (9) The debit date is—
- (a) the day of election; or
  - (b) the day just before the company stops being an ICA company if the election is made on the occasion of cessation.

Defined in this Act: amount, ASC account, ASC account company, ASC account debit, basic rate, ICA company, imputation credit, imputation credit account, imputation ratio, income tax, income year, tax year