

EXPOSURE DRAFT

EXPOSURE DRAFT

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Inserts for
**Tax and Superannuation Laws
Amendment (2015 Measures No. 1) Bill
2015: Interest realignments and farm-in
farm-out arrangements**

Commencement information

Column 1	Column 2	Column 3
Provision(s)	Commencement	Date/Details

1. Schedule #	The day this Act receives the Royal Assent.	
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2.

3.

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Schedule #—Tax relief for certain mining arrangements

Part 1—Interest realignment arrangements

Income Tax Assessment Act 1997

After section 40-362

Insert:

40-363 Roll-over relief for interest realignment arrangements

Circumstances giving rise to roll-over relief

- (1) There is roll-over relief if:
 - (a) there is a *balancing adjustment event under section 40-295 because, in an income year, you dispose of a *depreciating asset to another entity; and
 - (b) the asset is a *mining, quarrying or prospecting right; and
 - (c) the disposal occurs under an *interest realignment arrangement; and
 - (d) you choose to apply roll-over relief in relation to the asset.

Choosing to apply roll-over relief

- (2) The choice must:
 - (a) be in writing; and
 - (b) be made within 6 months after the end of the income year in which the *balancing adjustment event occurs, or within a longer period allowed by the Commissioner.

The effect of roll-over relief

- (3) If there is roll-over relief under this section:
 - (a) section 40-285 does not apply to the *balancing adjustment event in relation to the asset; and
 - (b) an amount is included in your assessable income if such an amount (the *non-realignment amount*) would have been included under subsection (1) if:
 - (i) paragraph (a) of this subsection did not apply; and

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- 1 (ii) the *adjustable value of the *mining, quarrying or
2 prospecting rights that you disposed of under the
3 arrangement were taken to be the market value of the
4 mining, quarrying or prospecting rights that you
5 received under the arrangement; and
6 (c) in working out the *cost of a mining, quarrying or
7 prospecting right that you receive under the arrangement, if:
8 (i) some or all of the cost consists of a *non-cash benefit
9 that you provide; and
10 (ii) that benefit is a mining, quarrying or prospecting right
11 that you disposed of under the arrangement;
12 the market value of the benefit is taken to be the adjustable
13 value of the benefit.
- 14 (4) The amount included in your assessable income under
15 paragraph (3)(b) is the non-realignment amount, and it is included
16 for the income year in which the balancing adjustment event
17 occurred.

18 *Meaning of interest realignment arrangement etc.*

- 19 (5) An *interest realignment arrangement* is an *arrangement:
20 (a) that is entered into between entities:
21 (i) that are undertaking jointly, or propose to undertake
22 jointly, a project for carrying out *mining or quarrying
23 operations; and
24 (ii) that each *holds *mining, quarrying or prospecting
25 rights relating to the project; and
26 (b) under which those entities exchange (or agree to exchange),
27 with the effect set out in subsection (6), parts of those rights;
28 and
29 (c) that does not provide for any transfer of a mining, quarrying
30 or prospecting right for a purpose other than giving rise to the
31 effect referred to in subsection (6).
- 32 (6) The effect referred to in paragraphs (5)(b) and (c) must be that, for
33 each of those entities, the following are equal:
34 (a) the entity's percentage interest in the project;
35 (b) the reserves represented by the *mining, quarrying or
36 prospecting rights that the entity *holds relating to the
37 project, expressed as a percentage of the reserves represented
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1 by all mining, quarrying or prospecting rights that any of the
2 entities hold relating to the project.

3 For the purposes of paragraph (b), the reserves represented by a
4 *mining, quarrying or prospecting right are taken to be the
5 reserves, reasonably estimated using an appropriate accepted
6 industry practice, that are expected to be extracted from the mine,
7 *petroleum field or quarry to which the right relates.

8 **40-364 Interest realignment adjustments**

9 *Effect of receiving interest realignment adjustment on assessable*
10 *income*

- 11 (1) If you receive an *interest realignment adjustment in an income
12 year, include in your assessable income for the year an amount (the
13 **adjustment amount**) equal to:
- 14 (a) the amount of the adjustment, or
 - 15 (b) if the adjustment is not an amount—the *market value of the
16 adjustment.

17 *Effect of providing interest realignment adjustment on cost, or cost*
18 *base and reduced cost base*

- 19 (2) If an *interest realignment adjustment is provided by you or on
20 your behalf:
- 21 (a) include the adjustment amount in the second element of the
22 *cost of a *mining, quarrying or prospecting right that you
23 acquired under the *interest realignment arrangement to
24 which the adjustment amount relates; or
 - 25 (b) if this Division does not apply to that right—include the
26 adjustment amount in the *cost base and *reduced cost base
27 of that right.

28 However, if you acquired more than one such right under the
29 arrangement, apportion the adjustment amount between the costs,
30 or cost bases and reduced cost bases, of those rights on a
31 reasonable basis.

32 Note: Subsections 40-177(1D) and (1E) of the *Income Tax (Transitional*
33 *Provisions) Act 1997* set out when this Division does not apply to the
34 right.

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Tax effects of the right to an interest realignment adjustment

- 1
- 2 (3) In calculating the *termination value of a *mining, quarrying or
3 prospecting right that you provide under an *interest realignment
4 arrangement, assume to be zero the *market value of any
5 contractual right conferred by the arrangement to an *interest
6 realignment adjustment to be received by you.
- 7 (4) In calculating the *cost of a *mining, quarrying or prospecting right
8 that you receive under an *interest realignment arrangement,
9 assume to be zero the *market value of any contractual right
10 conferred by the arrangement to an *interest realignment
11 adjustment to be provided by you.
- 12 (5) The creation of a right to an *interest realignment adjustment does
13 not cause *CGT event D1 to happen.
- 14 (6) Your receipt of an *interest realignment adjustment does not cause
15 *CGT event C2 to happen in relation to the right to receive the
16 adjustment.

Meaning of interest realignment adjustment

- 17
- 18 (7) An ***interest realignment adjustment*** is an amount, or an asset
19 (other than a *mining, quarrying or prospecting right), that:
- 20 (a) is provided under an *interest realignment arrangement to a
21 party to the arrangement by or on behalf of another party to
22 the arrangement; and
- 23 (b) is provided as an adjustment, to the parties' contributions of
24 value to the project to which the arrangement relates, that
25 arises because information that has become available since
26 the time the arrangement took effect indicates that the other
27 party did not make an appropriate contribution at that time.

At the end of Division 124

28 Add:
29

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1 Subdivision 124-S—Interest realignment arrangements

2 Guide to Subdivision 124-S

3 124-1220 What this Subdivision is about

4 There is roll-over relief if an interest in a mining, quarrying or
5 prospecting right is disposed of under an interest realignment
6 arrangement.

7 Table of sections

8	124-1225	Disposals of interests under interest realignment arrangements
9	124-1230	Rollover consequences—partial roll-over
10	124-1235	Roll-over consequences—all original interests were post-CGT
11	124-1240	Roll-over consequences—all original interests were pre-CGT
12	124-1245	Roll-over consequences—original interests were of mixed CGT status, all 13 were pre-UCA
14	124-1250	Roll-over consequences—some original interests were pre-UCA

15 Operative provisions

16 124-1225 Disposals of interests under interest realignment 17 arrangements

- 18 (1) There is a roll-over if:
- 19 (a) *CGT event A1 happens because you dispose of one or more
20 assets each of which:
- 21 (i) is an interest (an *original interest*) in a *mining,
22 quarrying or prospecting right; and
- 23 (ii) is an interest that you started to hold before 1 July 2001;
24 and
- 25 (b) the disposal occurs under an *interest realignment
26 arrangement.
- 27 (2) The first element of the *cost base and *reduced cost base of the an
28 interest (a *new interest*) in a *mining, quarrying or prospecting
29 right that you acquire under the *interest realignment arrangement
30 includes any amount you paid to get it (which can include giving
31 property: see section 103-5).

32 Note 1: The rest of the first element is worked out under Subdivision 124-A.

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Note 2: Under subsections 124-10(2) and 124-15(2), a capital gain or capital loss you make from an original interest is disregarded.

124-1230 Rollover consequences—partial roll-over

- (1) You can obtain only a partial roll-over in relation to an original interest if the *capital proceeds for that interest includes something (the *ineligible proceeds*) other than a new interest or new interests. There is no roll-over for that part (the *ineligible part*) of the interest for which you received the ineligible proceeds.

Note: If there is more than one original interest, some or all of those original interests may each have an ineligible part.

- (2) The *cost base of the ineligible part is that part of the cost base of the original interest as is reasonably attributable to the ineligible part.
- (3) The *reduced cost base of the ineligible part is that part of the reduced cost base of the original interest as is reasonably attributable to the ineligible part.
- (4) For the purposes of sections 124-1235 and 124-1245, for each original interest that has an ineligible part:
- (a) reduce the *cost base of that interest (just before the *CGT event that happened in relation to it) by so much of that cost base as is attributable to that ineligible part; and
 - (b) reduce the *reduced cost base of that interest (just before the CGT event that happened in relation to it) by so much of that reduced cost base as is attributable to that ineligible part.

124-1235 Roll-over consequences—all original interests were post-CGT and pre-UCA

- (1) If you *acquire the new interest in exchange for:
- (a) one original interest that you acquired on or after 20 September 1985 and before 1 July 2001; or
 - (b) 2 or more original interests, each of which you acquired on or after 20 September 1985 and before 1 July 2001;
- you are taken to have acquired the new interest (or all of the new interests) before that day.
- (2) The first element of the *cost base of the new interest (or of each of the new interests) is such amount as is reasonable having regard to:

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- 1 (a) the total of the cost bases of all the original interests; and
2 (b) the number, *market value and character of the original
3 interests; and
4 (c) the number, market value and character of the new interests.
- 5 (3) The first element of the *reduced cost base of the new interest (or
6 of each of the new interests) is such amount as is reasonable having
7 regard to:
8 (a) the total of the reduced cost bases of all the original interests;
9 and
10 (b) the number, *market value and character of the original
11 interests; and
12 (c) the number, market value and character of the new interests.

13 **124-1240 Roll-over consequences—all original interests were**
14 **pre-CGT**

15 If you *acquire the new interest in exchange for:

- 16 (a) one original interest that you acquired before 20 September
17 1985; or
18 (b) 2 or more original interests, each of which you acquired
19 before 20 September 1985;
20 you are taken to have acquired the new interest (or all of the new
21 interests) before that day.

22 **124-1245 Roll-over consequences—original interests were of mixed**
23 **CGT status, all were pre-UCA**

- 24 (1) This section applies if:
25 (a) you *acquire the new interest in exchange for more than one
26 original interest; and
27 (b) you acquired one or more of the original interests before
28 20 September 1985; and
29 (c) you acquired one or more of the original interests on or after
30 that day; and
31 (d) you did not acquire any of the original interests on or after
32 1 July 2001.
- 33 (2) Each new interest is taken to be 2 separate *CGT assets that are
34 both new interests:

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- 1 (a) one (which you are taken to have *acquired on or after
2 20 September 1985) representing the extent to which you
3 acquired the original interests on or after that day; and
4 (b) another (which you are taken to have acquired before that
5 day) representing the extent to which you acquired the
6 original interests before that day.
- 7 (3) The first element of the *cost base and *reduced cost base of the
8 *CGT asset mentioned in paragraph (2)(a) in relation to a new
9 interest is worked out under the formula:
- 10
$$\text{Total post-CGT cost base} \times \frac{\text{Market value of new interest}}{\text{Market value of all new interests}}$$
- 11 where:
- 12 *market value of all new interests* is the total of the *market values
13 of all of the new interests.
- 14 *market value of new interest* is the *market value of the new
15 interest to which the *CGT asset mentioned in paragraph (2)(a)
16 relates.
- 17 *total post-CGT cost base* is the total of the *cost bases of all the
18 original interests that you *acquired on or after 20 September 1985.

19 **124-1250 Roll-over consequences—some original interests were** 20 **pre-UCA**

- 21 (1) This section applies if:
- 22 (a) you *acquire the new interest in exchange for more than one
23 original interest; and
24 (b) you acquired one or more of the original interests (*pre-UCA*
25 *interests*) before 1 July 2001; and
26 (c) you acquired one or more of the original interests (*post-UCA*
27 *interests*) on or after that day.
- 28 (2) If you *acquired all of the pre-UCA interests on or after
29 20 September 1985, each new interest is taken to be 2 separate
30 assets that are both new interests:
- 31 (a) one (which you are taken to have acquired on or after that
32 day and before 1 July 2001) representing the extent to which
33 the original interests are pre-UCA interests; and
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- 1 (b) another (which you are taken to have acquired on or after
2 1 July 2001) representing the extent to which the original
3 interests are post-UCA interests.
- 4 Apply section 124-1235 to the interest referred to in paragraph (a)
5 as if the pre-UCA interests were the only original interests. Apply
6 Division 40 to the interests referred to in paragraph (b).
- 7 (3) If you *acquired all of the pre-UCA interests before 20 September
8 1985, each new interest is taken to be 2 separate assets that are
9 both new interests:
- 10 (a) one (which you are taken to have acquired before that day)
11 representing the extent to which the original interests are
12 pre-UCA interests; and
- 13 (b) another (which you are taken to have acquired on or after
14 1 July 2001) representing the extent to which the original
15 interests are post-UCA interests.
- 16 Apply section 124-1240 to the new interest referred to in
17 paragraph (a) as if the pre-UCA interests were the only original
18 interests. Apply Division 40 to the new interest referred to in
19 paragraph (b).
- 20 (4) If you *acquired one or more of the pre-UCA interests before
21 20 September 1985 and one or more of the pre-UCA interests on or
22 after that day, each new interest is taken to be 3 separate assets that
23 are all new interests:
- 24 (a) one (which you are taken to have acquired on or after
25 20 September 1985 and before 1 July 2001) representing the
26 extent to which the original interests that you acquired on or
27 after 20 September 1985 are pre-UCA interests; and
- 28 (b) another (which you are taken to have acquired before
29 20 September 1985) representing the extent to which the
30 original interests that you acquired before 20 September 1985
31 are pre-UCA interests; and
- 32 (c) another (which you are taken to have acquired on or after
33 1 July 2001) representing the extent to which the original
34 interests are post-UCA interests.
- 35 Apply section 124-1245 to the new interests referred to in
36 paragraphs (a) and (b) as if the pre-UCA interests were the only
37 original interests. Apply Division 40 to the new interest referred to
38 in paragraph (c).
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1 # Subsection 995-1(1)

2 Insert:

3 *interest realignment adjustment* has the meaning given by
4 subsection 40-364(7).

5 *interest realignment arrangement* has the meaning given by
6 subsection 40-363(5).

7 *Income Tax (Transitional Provisions) Act 1997*

8 # After subsection 40-77(1C)

9 Insert:

10 (1D) Division 40 of the new Act does not apply to an interest in a
11 mining, quarrying or prospecting right that you started to hold on
12 or after 1 July 2001 if:

- 13 (a) you acquired the interest under an interest realignment
14 arrangement; and
15 (b) the interest was acquired in exchange for one or more other
16 interests in other mining, quarrying or prospecting rights all
17 of which you had started to hold before 1 July 2001.

18 (1E) If:

- 19 (a) you acquired, under an interest realignment arrangement, an
20 interest (a *new interest*) in a mining, quarrying or prospecting
21 right; and
22 (b) the interest was acquired in exchange for one or more other
23 interests (*old interests*) in other mining, quarrying or
24 prospecting rights; and
25 (c) you started to hold some of the old interests before 1 July
26 2001;

27 Division 40 of the new Act applies to the new interest only to the
28 extent that the new interest was acquired in exchange for the old
29 interests that you started to hold on or after 1 July 2001.

30 # Application

31 The amendments made by this Part apply in relation to:

- 32 (a) mining, quarrying or prospecting rights that an entity starts
33 to hold after 7.30 pm, by legal time in the Australian Capital
34 Territory, on 14 May 2013; and

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- (b) balancing adjustment events that happen after that time; and
 - (c) CGT events that happen after that time.

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1 **Part 2—Farm-in farm-out arrangements**

2 *Income Tax Assessment Act 1997*

3 **# Section 11-55 (after table item headed “environment”)**

4 Insert:

farm-in farm-out arrangements

rewards for providing exploration benefits 40-1120

5 **10 Section 40-175 (note)**

6 After:

- 7 • paragraph 40-365(5)(a);

8 insert:

- 9 • section 40-1110;

10 **# At the end of subsection 40-180(4)**

11 Add:

12 Note: The first element of cost may be reduced under section 40-1105 to
13 account for non-cash benefits received under farm-in farm-out
14 arrangements.

15 **# Subsection 40-300(3) (note)**

16 Repeal the note, substitute:

17 Note 1: Termination value may be adjusted under Subdivision 27-B so that
18 any GST consequences are accounted for.

19 Note 2: Termination value may be reduced under section 40-1105 to account
20 for non-cash benefits received under farm-in farm-out arrangements.

21 **# After Subdivision 40-J**

22 Insert:

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Subdivision 40-K—Farm-in farm-out arrangements

Guide to Subdivision 40-K

40-1100 What this Subdivision is about

The costs and termination values of parts of interests in mining, quarrying or prospecting rights that are transferred under farm-in farm-out arrangements are reduced by the market value of the exploration benefits conferred under the arrangements.

Table of sections

40-1105	Treatment of certain non-cash benefits under farm-in farm-out arrangements
40-1110	Cost of split interests resulting from farm-in farm-out arrangements
40-1115	Deductions for certain expenditure covered by exploration benefits
40-1120	Rewards for providing exploration benefits
40-1125	Cost base and reduced cost base of exploration benefits etc.
40-1130	Effect of exploration benefits on the cost of mining, quarrying or prospecting information
40-1135	Meaning of <i>farm-in farm-out arrangement</i> etc.

Operative provisions

40-1105 Treatment of certain non-cash benefits under farm-in farm-out arrangements

- (1) If, under a *farm-in farm-out arrangement, you receive an *exploration benefit in relation to the transfer of part of your interest in a *mining, quarrying or prospecting right, the *termination value of the part of the interest is reduced by the *market value of the exploration benefit.
- (2) If, under a *farm-in farm-out arrangement, you provide an *exploration benefit in relation to the transfer to you of part of another entity's interest in a *mining, quarrying or prospecting right, the first element of the *cost of the part of the interest is reduced by the *market value of the exploration benefit.

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1 **40-1110 Cost of split interests resulting from farm-in farm-out** 2 **arrangements**

3 Despite section 40-205, if:

- 4 (a) under a *farm-in farm-out arrangement, you provide a part of
5 your interest in a *mining, quarrying or prospecting right; and
6 (b) because of subsection 40-115(2), this Division applies as if
7 you had split your interest into the part you stopped holding
8 and the rest of your interest;

9 then:

- 10 (c) the first element of the cost of the asset that consists of the
11 part you stopped holding is a reasonable proportion of the
12 amount you are taken to have paid under section 40-185 for
13 any economic benefit involved in splitting your interest; and
14 (d) the first element of the cost of the asset that consists of the
15 rest of your interest is the sum of:
16 (i) the *adjustable value of your interest just before it was
17 split; and
18 (ii) a reasonable proportion of the amount you are taken to
19 have paid under section 40-185 for any economic
20 benefit involved in splitting your interest.

21 **40-1115 Deductions relating to receipt of exploration benefits**

22 (1) If:

- 23 (a) under a *farm-in farm-out arrangement, you receive an
24 *exploration benefit in exchange for providing a part of your
25 interest in a *mining, quarrying or prospecting right; and
26 (b) because of subsection 40-1105(1), the *termination value of
27 the interest you provide is reduced;

28 your entitlement (if any) to a deduction under a provision of this
29 Act, in relation to your expenditure consisting of the provision of
30 that part, is reduced to the same extent as the reduction in the
31 termination value.

32 (2) If the termination value is reduced to nil under
33 subsection 40-1105(1), you are not entitled to a deduction under a
34 provision of this Act in relation to your expenditure consisting of
35 the provision of that part.

36 (3) If:

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- 1 (a) under a *farm-in farm-out arrangement, you receive an
2 *exploration benefit in exchange for providing a part of your
3 interest in a *mining, quarrying or prospecting right; and
4 (b) because of subsection 40-1105(1), the *termination value of
5 the interest you provide is reduced; and
6 (c) the exploration benefit consists of another party to the
7 arrangement funding on your behalf, or undertaking to fund
8 on your behalf, expenditure that you incur in relation to
9 exploration or prospecting by another entity;
10 your entitlement (if any) to a deduction under a provision of this
11 Act in relation to the expenditure is reduced to the same extent as
12 the reduction in the termination value.
- 13 (4) If the termination value is reduced to nil under
14 subsection 40-1105(1), you are not entitled to a deduction under a
15 provision of this Act in relation to that expenditure.

40-1120 Rewards for providing exploration benefits

- 16 (1) If:
- 17 (a) under a *farm-in farm-out arrangement, you provide
18 an *exploration benefit in exchange for you receiving under
19 the arrangement an interest in a *mining, quarrying or
20 prospecting right; and
21 (b) the interest that you receive is a part of another entity's
22 interest in a mining, quarrying or prospecting right; and
23 (c) because of subsection 40-1105(2), the first element of the
24 *cost of the part of the interest you receive is reduced; and
25 (d) for providing the non-cash benefit, you receive a reward as a
26 result of which an amount would, apart from this section, be
27 included in your assessable income;
28 to the extent of the reduction in the first element of the cost, the
29 amount is not assessable income and is not *exempt income.
- 30 (2) If the first element of the *cost is reduced to nil under
31 subsection 40-1105(2), the entire amount is not assessable income
32 and is not *exempt income.
33

40-1125 Cost base and reduced cost base of exploration benefits etc.

- 34 If:
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- 1 (a) under a *farm-in farm-out arrangement, you receive an
2 *exploration benefit; and
3 (b) the benefit involves one or more undertakings of the kinds
4 referred to in subparagraphs 40-1135(2)(a)(ii) and (iv);
5 the first element of the *cost base and the *reduced cost base of the
6 benefit are reduced by the *market value of the undertakings.

7 **40-1130 Effect of exploration benefits on the cost of mining, 8 quarrying or prospecting information**

9 If:

- 10 (a) you *hold a *depreciating asset that is *mining, quarrying or
11 prospecting information; and
12 (b) under a *farm-in farm-out arrangement, you receive an
13 *exploration benefit; and
14 (c) an amount or expenditure would, apart from this section, be
15 included in the second element of the *cost of the asset;
16 do not include that amount or expenditure in the second element to
17 the extent (if any) that it is reasonably attributable to the
18 exploration benefit.

19 **40-1135 Meaning of *farm-in farm-out arrangement* etc.**

- 20 (1) A *farm-in farm-out arrangement* is an *arrangement under which:
21 (a) an entity (the *transferor*) transfers, or agrees to transfer, part
22 of the entity's interest in a *mining, quarrying or prospecting
23 right to another entity (the *transferee*); and
24 (b) in exchange for the transfer, the transferee provides to the
25 transferor one or more *exploration benefits.
- 26 (2) The transferee provides an *exploration benefit* to the transferor if:
27 (a) the transferee:
28 (i) conducts *exploration or prospecting for *minerals, or
29 quarry materials, obtainable by *mining and quarrying
30 operations; or
31 (ii) undertakes to conduct exploration or prospecting for
32 *minerals, or quarry materials, obtainable by *mining
33 and quarrying operations; or
34 (iii) funds, on the transferor's behalf, expenditure that the
35 transferor incurs in relation to exploration or
36 prospecting by another entity; and
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- 1 (iv) undertakes to fund, on the transferor's behalf,
2 expenditure that the transferor incurs in relation to
3 exploration or prospecting by another entity; and
4 (b) the exploration or prospecting relates to the part of the
5 transferor's interest in the mining, quarrying or prospecting
6 right that the transfers does not transfer, or agree to transfer,
7 under the arrangement; and
8 (c) were the transferor to conduct the exploration or prospecting,
9 amounts paid by the transferor relating to the exploration or
10 prospecting would:
11 (i) be included in the *cost of *mining, quarrying or
12 prospecting information *held by the transferor; or
13 (ii) be included in any other *depreciating asset, held by the
14 transferor, for which the decline in value is provided
15 under section 40-80; or
16 (ii) be deductible under section 40-730.

17 # At the end of subsection 104-35(5)

18 Add:

19 ; or (g) you created the right by creating in another entity a right to
20 receive an *exploration benefit under a *farm-in farm-out
21 arrangement.

22 # Section 112-97 (before table item 1)

23 Insert:

1A	You receive, under a farm-in farm-out arrangement, an exploration benefit or an entitlement to an exploration benefit	First element of cost base and reduced cost base	Section 40-1125
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24 # Section 116-25 (cell at table item A1, column headed 25 "Special rules:")

26 Repeal the cell, substitute:

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If the *disposal is because another entity exercises an option: see section 116-65

If the disposal is of *shares or an interest in a trust: see section 116-80

If the disposal is a gift for which a section 30-212 valuation is obtained: see section 116-100

If a roll-over under Subdivision 310-D applies: see section 116-110

If the disposal is a disposal of part of an interest in a *mining, quarrying or prospecting right under a *farm-in farm-out arrangement: see section 116 -115

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2 **# Section 116-25 (cell at table item C2, column headed**
3 **“Special rules:”)**

4 Omit “and 116-10”, substitute “, 116-110 and 116-115”.

5 **# At the end of Division 116**

6 Add:

7 **116-115 Farm-in farm-out arrangements**

8 (1) If:

- 9 (a) CGT event A1 is the disposal of part of your interest in a
10 *mining, quarrying or prospecting right; and
11 (b) the interest is disposed of under a *farm-in farm-out
12 arrangement; and
13 (c) you have received an *exploration benefit in respect of the
14 event happening;
15 in working out the *capital proceeds for the *CGT event, treat as
16 zero the *market value of the exploration benefit.

EXPOSURE DRAFT

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- 1 (2) If:
2 (a) CGT event C2 arises as a result of an *exploration benefit
3 being provided to you; and
4 (b) the exploration benefit is provided under a *farm-in farm-out
5 arrangement;
6 in working out the *capital proceeds for the *CGT event, treat as
7 zero the *market value of the exploration benefit.

8 # After subsection 230-460(17)

9 Insert:

10 *Exploration benefits*

- 11 (17A) A right or obligation that arises because of the provision of an
12 *exploration benefit under a *farm-in farm-out arrangement is the
13 subject of an exception.

14 # Subsection 995-1(1)

15 Insert:

16 *exploration benefit* has the meaning given by
17 subsection 40-1135(2).

18 *farm-in farm-out arrangement* has the meaning given by
19 subsection 40-1135(1).

20 # Application

21 The amendments made by this Part apply in relation to farm-in farm-out
22 arrangements entered into after 7.30 pm, by legal time in the Australian
23 Capital Territory, on 14 May 2013.