



THE UNIVERSITY OF
NEW SOUTH WALES

MASTER OF FINANCE

Taxation of Financial Arrangements

MFIN6212

Session 1, 2004

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About the Course

Timetable

Week beginning	Week No.	Topic	Assessment
23 Feb	0	Orientation week	
1 March	1	Provision of course information. Allocation of paper topics and real world case study presentation dates. Review of assumed knowledge in relation to Australian income tax law. Overview of the taxation of companies, partnerships and unit trusts in Australia. Course overview.	
8 March	2	Tax aspects of raising corporate finance. Debt and equity rules. Case study applying debt and equity rules. .	
15 March	3	Tax aspects of raising corporate finance. Rules relating to deductibility of interest and its equivalents and rules affecting deductibility. CGT and other tax effects of issue and realisation of debt instruments. Interest withholding tax. .	
22 March	4	Tax aspects of raising corporate finance. Tax treatment of hybrid securities. Redeemable preference shares, converting preference shares, convertible interests. Case study on reset preferred securities.	
29 March	5	Overview of dividend imputation system and effect of distributions on different types of resident shareholder. CGT and other tax effects of equity issues and realisation of equity instruments. IPO case study.	Real World Case Study presentations commence
5 April	6	Tax aspects of capital restructuring. Buy backs, share cancellations, returns of capital, share consolidations and subdivisions.	Real World Case Study presentations continue
12 April		Mid-session recess	
19 April	7	Tax aspects of takeovers, mergers and demergers. Asset transfers. Value shifting provisions. Entry into and exit from tax consolidated groups.	Paper, Topic No.1 Due Real World Case Study presentations continue
26 April	8	Tax aspects of takeovers, mergers and demergers continued. Scrip for scrip roll-over provisions. Demerger relief provisions. Demerger case study.	Paper, Topic No.2 Due Real World Case Study presentations continue
3 May	9	Tax treatment of foreign exchange gains and losses.	Paper, Topic No.3 Due Real World Case Study presentations continue
10 May	10	Tax treatment of derivatives continued. Options, futures contracts, forward contracts, swaps.	Paper, Topic No.4 Due Real World Case Study presentations conclude
17 May	11	Venture capital incentives. Asset financing rules	Paper, Topic No.5 Due
24 May	12	Tax considerations in inbound investment. Thin capitalisation rules, withholding taxes, transfer pricing rules. Anti dividend streaming rules. Anti franking credit trading rules. Anti capital benefit streaming rules. Dual listed company case study.	Paper, Topic No.6 Due
31 May	13	Tax considerations in outbound investment. Overview of exemptions, foreign tax credits, CFC and FIF rules. Double tax treaties. Use of double tax treaties and innovative financial products in international tax planning. Corporate inversion case study.	
7 June	14	Course review. Future treatment of financial foreshadowed under TOFA proposals. Contrast with current treatment.	
14 June		Exam study period	
21 June		Exam week	
28 June		Exam week	

Course Overview

Taxation of Financial Arrangements is a core course within the Investment Banking stream. This course deals with the tax treatment of financial arrangements. It examines the current classifications of financial instruments for tax purposes and the tax consequences that flow from those classifications. The general tax framework governing inbound and outbound direct and portfolio investment is discussed. The fundamental principles are then applied in the context of case studies. Specialised tax rules relevant to particular case study topics are highlighted. Topics dealt with in case studies include: initial public offers; foreign exchange gains and losses; innovative financial products; structured finance for infrastructure and privatisations; securitisation; lease financing; funds management; venture capital; capital restructuring; takeovers; mergers and demergers. The effects of proposed changes in the taxation of financial arrangements on the tax results in the case studies are noted.

Assumed Knowledge

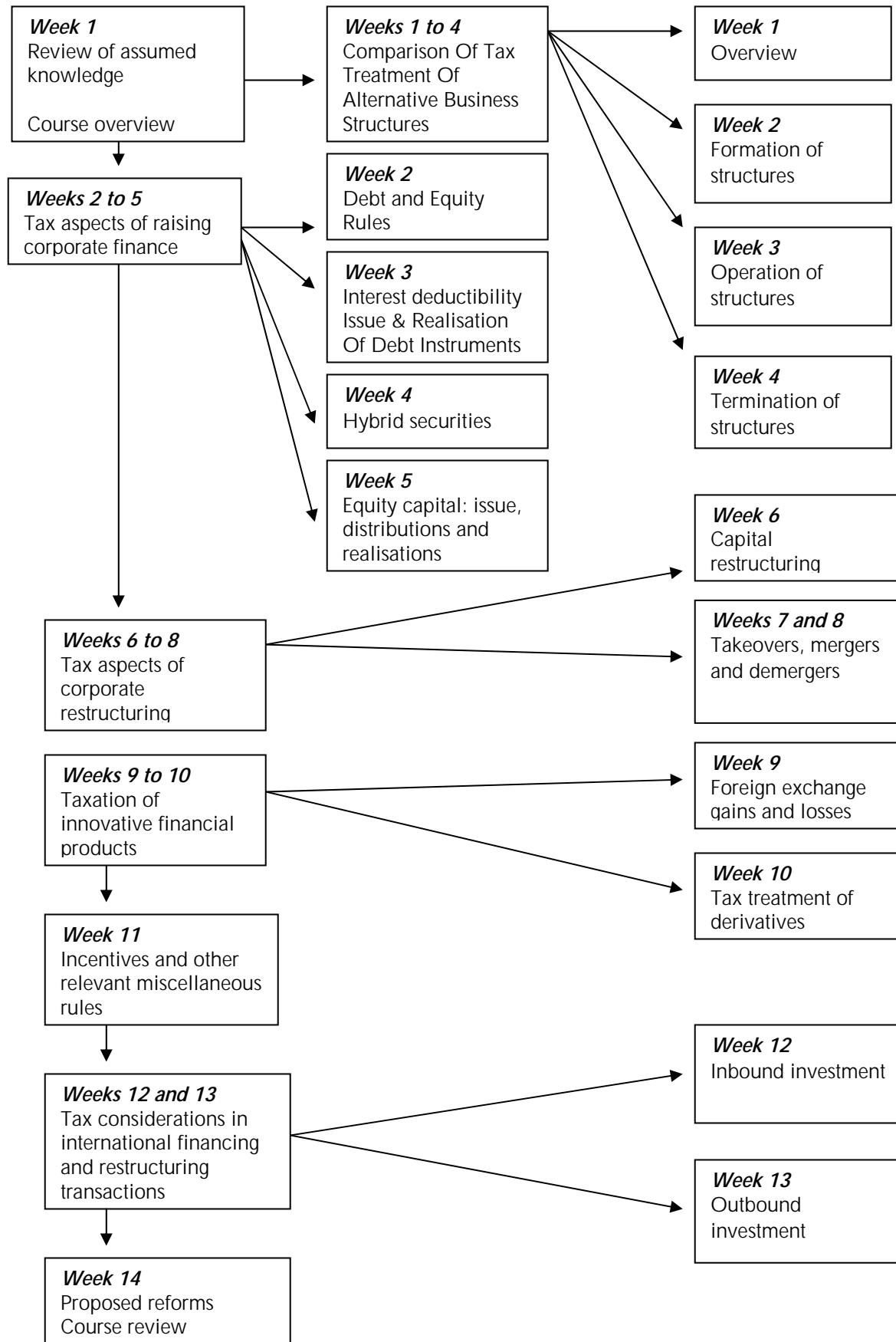
Students are assumed to have completed a basic course in Australian taxation law and a basic course in Australian company law or have equivalent knowledge.

Course Aims

By the end of this course you should be able to:

- 1 Describe the broad framework of the tax rules relevant to significant corporate financing and restructuring decisions
- 2 Identify tax issues in corporate financing and restructuring transactions
- 3 Find relevant literature on tax rules relevant to corporate financing and restructuring transactions
- 4 Write a concise explanation of the purpose, structure and effect of a particular set of tax rules relevant to corporate financing or restructuring decisions

Course Structure



Format and teaching approach

This course will be taught in 3 hour seminars over 14 weeks making a total of 42 hours of classroom learning. Methods of teaching will include: lecturer presentations; case study discussions; discussion of student papers; real world case study presentations.

Workload Expectations

It is expected that you will spend at least ten hours per week studying for each course. This time should be made up of reading, research, working on exercises and problems, performing computer tasks and attending classes. In periods where you need to complete assignments or prepare for examinations the workload may be greater.

Participants should take the required workload into account when planning how to balance study with employment and other activities.

Staff and contacts

Course Coordinator

Course Coordinator: Associate Professor John Taylor
Email address: c.taylor@unsw.edu.au
Telephone: 61-2-9385 3292
Location: Room G29, John Goodsell Building
University of New South Wales, Kensington
Campus

Others Teaching course

Kulwant Singh-Pangly B Bus, LL B (Hons) (QUT), M Tax (UNSW)
Senior Tax Counsel, AMP
Email address: Kulwant_Singh-Pangly@amp.com.au

Administration Coordinator

MFin Coordinator: Kathleen Jarvis
Email address: k.jarvis@unsw.edu.au
Telephone: 61-2-9385 5864
Location: Room 3038, Level 3, Quadrangle Building
University of New South Wales, Kensington
Campus

CBD Class Venue

Venue: Clifton and Associates
Address: 190 George Street, Sydney
Telephone: 61-2-9250 0999

Resources

The textbook

Either

Australian Income Tax Legislation 2004 edition 4 volumes (CCH Australia Ltd 2004)

OR

Fundamental Tax Legislation 2004 edition (ATP 2004 edition)

OR

Core Tax Legislation 2004 edition (CCH Australia Ltd 2004)

Participants who have not studied taxation law within the last 3 years should obtain either:

R Gilders, J Taylor, G Richardson, and M Walpole, *Understanding Taxation Law: An Interactive Approach*, 2nd ed., Lexis Nexis, 2004. (ULT) ; or

R H Woellner, S Barkoczy, S Murphy and C Evans, *2004 Australian Taxation Law*, 14th ed., CCH, 2004. (Woellner)

Other useful resources

Note that electronic versions of Australian Tax Legislation can be accessed via the UNSW Library Web Site.

No one textbook adequately covers the material dealt with in this course. Materials developed for the course will be placed on the course Web CT site. Students will also be referred to discussions of particular topics in general tax texts and journal articles.

Reference Books and journals

In addition to the materials provided in class reference will be made from time to time to the following texts. Copies of all texts will be placed on open reserve in the UNSW library. As will be seen below enrolled students can also access electronic copies of many of the texts via the UNSW library Web page.

Practitioner Texts

R L Deutsch et al, *Australian Tax Handbook 2004*, ATP, 2004 (ATP Handbook)

CCH Tax Editors, *2004 Australian Master Tax Guide*, CCH, 2004 (MTG)

Note, electronic versions of these texts can be accessed via the UNSW Library web site.

Loose Leaf Services

CCH Tax Writers, *Australian Federal Tax Reporter*, CCH (11 volumes)

ATP Tax Writers, *Australian Tax Practice Commentary*, ATP (4 volumes)

Note, electronic versions of these texts can be accessed via the UNSW Library web site.

Texts Focusing On Financial Arrangements

M Cashmere, *Tax And Corporate Financing Into The New Millennium*, CCH 1999
(Cashmere)

Macquarie Bank and CCH, *2002/2003 Australian Master Financial Planning Guide*, 4th ed,
CCH 2003 (Master Financial Planning Guide)

Government Documents

Secretary to the Treasury and Commissioner of Taxation, *Taxation Of Financial Instruments: An Issues Paper*, AGPS, 1996 (TOFA Issues Paper). Note this document is available on the Australian Treasury Web Site <http://www.treasury.gov.au>

Law Reports

There are two major series of taxation law reports in Australia. These are *Australian Tax Cases* (ATC) published by CCH and *Australian Tax Reports* (ATR) published by ATP. Students may access the full text of both series via the UNSW library Web site.

WebCT

Master of Finance courses use a WebCT environment for all on-line components. WebCT course sites may include such resources as lecture notes, timetables, class profiles, staff contact details and discussion areas. The WebCT site for this course can be accessed from the WebCT log-in page at: <http://www.webct.unsw.edu.au> .

Assessment

To pass this course a student must obtain an overall grade of 50% or greater.

In the case of individual assessment, all work submitted must be your own. Copying or not acknowledging the work of others is considered plagiarism. Participants are responsible for becoming familiar with the rules about academic misconduct, including plagiarism (see the *2004 Master of Finance Student Information Guide* for more details).

Summary of requirements

The summary table below provides an overview of the assessment tasks, due dates and relative weighting.

Assessment Name	Due date	Weight
Paper and Discussion Participation	Week 7 - Week 12	20%
Real World Case Study Presentation	Week 5 – Week 10	20%
Final Examination	Date TBA	60%
TOTAL		100%

Assessment 1 – Paper and participation in class discussion of topic

Due: Week 7 – Week 12. **Papers should be submitted in duplicate one week before they are due to be discussed in class.**

Weight: 20%

Word length: 2,500 words

Each participant is required to write a 2,500 word paper on an allocated topic. The lecturer will lead a discussion in class of the topic dealt with in the paper. Participants who wrote a paper on a particular topic should be prepared to respond to questions by the lecturer and other participants on that topic. Papers should be submitted in duplicate the week before they are due to be discussed in class and a synopsis of the paper should be circulated to other participants at that time. Papers should be approximately 2500 words in length. A list of suggested preliminary reading for each topic will be placed on the course WebCT site:

<http://www.webct.unsw.edu.au>

Paper topics and the weeks in which they are due to be **presented** are:

Topic Name	Presentation Due date
Topic One: Value Shifting Provisions	Week 7
Topic Two: Scrip For Scrip Roll Over Provisions	Week 8
Topic Three: TOFA Foreign Exchange Gain And Loss Provisions	Week 9
Topic Four: Venture Capital Incentives	Week 10
Topic Five: Asset Financing Rules	Week 11
Topic Six: Thin Capitalisation Rules	Week 12

Assessment 2 – ‘Real World’ case study and presentation

Due: Week 5 – Week 10. **Assessment should be submitted to the Lecturer at least one week before they are due to be presented in class.**

Weight: 20%

Word length: 2,500 words

Participants will be required to write up a Case Study of a recent event, (such as an IPO, a public issue of securities, a takeover, a merger, a buy back, a demutualisation,) that has actually happened and is relevant to taxation issues discussed in this course. The Case Studies can either be based on events that are a matter of public record or can be based on matters that you have encountered in your working life that are not matters of public record. The account of the Case Study should be not less than 2500 words in length. Participants will be required to present their Real World Case Study in class. Participants should circulate a synopsis of their presentation of their Real World Case Study when making the presentation.

Presentations should not exceed 10 to 15 minutes in length and should be in the form of an executive summary that highlights the key points from the Case Study. Presentations of Real World Case Studies will commence in Week 5 and will continue until Week 10. The Real World Case Studies should be submitted to the Lecturer at least one week before they are due to be presented in class. While the emphasis on the Case Study should be on taxation issues, relevant accounting, treasury and general legal issues should also be identified.

Presentation and participation

Active participation is an important component of the Master of Finance program. All students are expected to participate in class discussions and activities as well as, at various times throughout the session, make presentations in class.

Final Examination

Date: TBA
Weight: 60%

The duration of the final examination will be 3 hours plus 10 minutes reading time. There will be no restrictions on the written materials that candidates are permitted to bring into the final examination. Electronic calculators may be brought into the final examination but laptop computers may not be. If mobile phones are brought into the final examination they should be switched off and placed under the candidate's desk. There will be 6 questions in the final examination. Candidates will be required to answer 3 questions. Each question will be worth 20 marks.

All exams are conducted in accordance with the UNSW Rules for the Conduct of Examinations and it is the student's responsibility to be familiar with these rules. For more information, refer to the *Master of Finance 2004 Student Information Guide* or the UNSW examination website at: <https://my.unsw.edu.au/student/atoz/Examinations.html>

Grading and feedback

All assignments and examinations are assessed using the Fail, Pass, Credit, Distinction and High Distinction grading system (see table below)

Code	Grade	% Mark	Explanation
HD	High Distinction	85-100	An outstanding performance
DN	Distinction	75-84	A superior, well above average performance
CR	Credit	65-74	A good, above average performance
PS	Pass	50-64	An acceptable level of performance
FL	Fail	0-49	Unsatisfactory performance

A more comprehensive list of possible grades can be found at <http://www.student.unsw.edu.au/atoz/atoz-Results.shtml>

Unless otherwise indicated, feedback for all assessment (except final examination) will be provided within two weeks of submission.

Assignment submission

Unless otherwise arranged with the lecturer, all assessment must be submitted in the class in which it is due. All assignments must be accompanied by an Assessment Cover Sheet. Copies of the assessment cover sheet are available on the Master of Finance website at: <http://www.mfin.unsw.edu.au/students/forms.htm>

Late submission

Assignments are due on the date indicated in this overview. Extensions will only be granted on medical or compassionate grounds under extreme circumstances, and will not be granted because of work and other commitments. Requests for extensions must be made in writing to the lecturer prior to the due date. Medical certificates or other evidence of extreme misfortune must be attached and must contain information that justifies the extension sought.

Late assignments which have not been granted an extension will not be marked. While we are sensitive to problems that may arise from time to time, students are required to submit their assignments at the designated time in order to maintain a fair and equitable system.

Refer to the *2004 Master of Finance Student Information Guide* for more information.

Word count & assignment format

Word count limits (if applicable) are strict and penalties will apply for exceeding the word limit.

All assessment should include an assignment cover sheet. Written work such as essays should be typed in 12point font, double spaced and stapled with allowance made (3 cm on each side) in the margin for comments and feedback. Please do not bind assignments.

For mathematical or formula-based assignments, calculations and working should be shown.

Student responsibilities

Attendance and participation

Students are expected to be regular and punctual in attendance at all classes in the courses in which they are enrolled. It is important to note that if students attend less than eighty per cent of their possible classes they may be refused final assessment. All requests for non-attendance at class must be submitted to your lecturer or the Director, Master of Finance Program.

In addition to attendance at class, it is strongly recommended that students attend the Learning Partnership program, which aims to provide wide exposure to the kinds of practical issues faced in the management of financial institutions.

Academic honesty

Students and staff are governed by the normal laws which regulate our daily lives. But in addition the University has its own code of rules and conduct. This is because good conduct and academic honesty are fundamental to the mission of the University as an institution devoted to the pursuit of excellence in scholarship and research, and to the service of society. These principles apply not only to students but to the whole University community, including staff engaged in research. They have been developed over many years and are widely supported by staff and students. Staff and students are committed to good conduct and academic honesty and are keen to see that these values and principles are upheld.

The University Council has defined student misconduct as follows (29th August 1994): Student misconduct includes student academic misconduct and also encompasses conduct which impairs the reasonable freedom of other persons to pursue their studies or research or to participate in the life of the University.

It is the responsibility of all students to familiarise themselves with the rules that govern student and academic misconduct. For more information, please see:

<https://my.unsw.edu.au/student/atoz/AcademicMisconduct.html>

Plagiarism

Plagiarism is considered academic misconduct and, as such, will be severely penalised. Plagiarism involves using the work of another person and presenting it as one's own. Acts of plagiarism include copying parts of a document without acknowledging and providing the source for each quotation or piece of borrowed material. These rules against plagiarism apply whatever the source of the work relied upon may be, whether printed, stored on a compact disc or other medium, found on the World Wide Web or Internet.

Similarly, using or extracting another person's concepts, experimental results or conclusions, summarising another person's work or, where, there is collaborative preparatory work,

submitting substantially the same final version of any material as another student constitutes plagiarism.

It is your responsibility to make sure you acknowledge within your writing where you have “sourced” the information, ideas and facts etc.

The basic principles are that you should not attempt to pass off the work of another person as your own, and it should be possible for a reader to check the information and ideas that you have used by going to the original source material. Acknowledgment should be sufficiently accurate to enable the source to be located speedily. If you are unsure whether, or how, to make acknowledgment consult your lecturer.

For more information on plagiarism and how to avoid it, visit the UNSW Learning Centre website: <http://www.lc.unsw.edu.au/onlib/plag.html>