



# Franking account tax return and instructions 2025

Use these instructions to complete the Franking account tax return 2025.

**Published** 29 May 2025

## How to get the Franking account tax return 2025



How to get a copy of the form and for help to complete the Franking account tax return 2025.

## About the franking account tax return



Find out who needs to lodge and if you need to specify a part year or approved substitute period.

## Instructions to complete the Franking account tax return 2025



Instructions for completing sections A, B, C, the payment slip and declaration of the franking account tax return.

## How to lodge the franking account tax return and pay



How and when to lodge the Franking account tax return and the payment options available.

QC 104317

## How to get the Franking account tax return 2025

How to get a copy of the form and for help to complete the Franking account tax return 2025.

**Last updated** 29 May 2025

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## Get the franking account tax return

Go to the Franking account tax return 2025 [🔗](#) on our Publication Ordering Service (POS) at [iorder.com.au](http://iorder.com.au) to get a copy.

## Get the franking account tax return instructions

The *Franking account tax return instructions 2025* are not available in print.

You can create and save a PDF copy from this webpage – select the **Print or Download** icon under the page heading then select **PDF whole topic**.

For help regarding debits and credits to your franking account you may also refer to the *Company tax return instructions 2025*.

# Who needs to complete a franking account tax return

Complete a *Franking account tax return 2025* for all corporate tax entities and New Zealand franking companies that have:

- a liability to pay **franking deficit tax (FDT)**
- a liability to pay **over-franking tax (OFT)**
- an obligation to notify the Commissioner of Taxation in relation to any significant variation in their benchmark franking percentage between franking periods.

If there is such a liability or notification obligation, the entity is required to complete section A and the remaining items on the Franking account tax return that are relevant to that liability or obligation.

If there is no such liability or notification obligation, there is no need to lodge this tax return.

An entity is a corporate tax entity if it is a:

- company
- corporate limited partnership
- public trading trust.

A company is a New Zealand franking company if the company:

- is a New Zealand resident company, and
- has made an election to join the Australian imputation system.

The Australian imputation rules generally apply to a New Zealand franking company in the same way as they apply to an Australian corporate tax entity. Special rules also apply, see [Trans-Tasman imputation special rules](#).

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# About the franking account tax return

Find out who needs to lodge and if you need to specify a part year or approved substitute period.

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## Franking account tax return reporting period

The *Franking account tax return 2025* applies to the 2024–25 income year. An early or late balancing corporate tax entity will need to specify the reporting period or approved substitute period on the form.

Companies, corporate limited partnerships and public trading trusts may need to lodge a franking account tax return. Find out more about who needs to complete a franking account tax return.

## Period boxes or specify part year or approved substitute period

The *Franking account tax return 2025* applies to the 2024–25 income year.

An **early or late balancing** corporate tax entity is one that has the Commissioner's permission to use an income year that ends on a date

other than 30 June. These entities are granted an approved substituted accounting period (SAP) instead of an income year ending on 30 June (the standard income year).

- An early balancing corporate tax entity has its income year end before 30 June.
- A late balancing corporate tax entity has its income year end after 30 June.

A late balancing corporate tax entity that has elected to have its FDT liability determined on a 30 June basis must complete the period boxes with the dates 1 July 2024 to 30 June 2025.

For more information on SAPs, see Law and Practice Statement **PS LA 2007/21 Substituted Accounting Periods (SAPs)**.

Complete the period boxes at the top of the tax return with the period covered by this tax return if the entity:

- is an early balancing corporate tax entity
- is a late balancing corporate tax entity
- ceases to be a franking entity part way through its income year
- is a New Zealand franking company, when its election to join the Australian imputation system is revoked or cancelled part way through its income year.

### **Example 1: late balancing corporate tax entity**

MHO Ltd is a late balancing corporate tax entity with an approved substituted accounting period ending on 30 September 2025 instead of 30 June 2025.

MHO Ltd does not elect to have its FDT liability determined on a 30 June basis.

At the end of the day on 30 September 2025, MHO Ltd has a debit balance in its franking account and consequently it has a liability to pay FDT.

MHO Ltd completes the period boxes with the dates 1 October 2024 to 30 September 2025.

## Late balancing corporate tax entities to have FDT liability determined on 30 June

A late balancing corporate tax entity may choose to have its FDT liability, if any, determined on a 30 June basis, rather than at the end of its income year.

If a late balancing corporate tax entity makes this choice and it has a debit balance in its franking account on 30 June 2025, it must lodge a *Franking account tax return 2025* to account for this FDT liability, on or before 31 July 2025.

It must also lodge a subsequent Franking account tax return within one month after the end of its income year if it must either:

- account for any OFT liability
- notify any significant variation in its benchmark franking percentage between franking periods.

You must pay the OFT liability, if any, by the last day of the month immediately following the end of the income year.

## R&D entities entitled to the R&D refundable tax offset

A corporate tax entity which satisfies certain requirements may be eligible for the research and development (R&D) refundable tax offset under Division 355 of the *Income Tax Assessment Act 1997* (ITAA 1997).

Special rules ensure that the amount of R&D tax offset refunded is not immediately clawed back as a result of the entity becoming liable to franking deficit tax, due to a debit normally arising in an entity's franking account at the time of receiving a refund of income tax. The franking debit that usually arises when a refund of income tax is received is effectively deferred (deferred franking debits) in relation to refundable R&D tax offset amounts.

A corporate tax entity receiving the R&D refundable tax offset will not record any franking credit in its franking account for future PAYG instalments, or payments of income tax **until** any prior deferred franking debits are effectively offset by these types of franking credits. Other types of franking credits are not affected by these rules.

The following example illustrates how a corporate tax entity accounts for any deferred franking debits in current and future years.

## Example 2: R&D refundable tax offset

RI Pty Ltd is an R&D entity. Over 3 years, it has the following transactions that would affect its franking account:

**Table 1: RI Pty Ltd transactions affecting franking account**

Year	Refund of income tax	Income tax paid
1	\$45,000	\$0
2	\$0	\$30,000
3	\$0	\$36,000

### Year 1

The refund of income tax in year 1 resulted from RI Pty Ltd receiving a refundable R&D tax offset. Therefore, although ordinarily a debit would arise in its franking account in year 1 for a refund of income tax, no debit will arise in year 1 and this amount will be a deferred franking debit. RI Pty Ltd must keep records that detail the calculation of a franking debit that would otherwise have arisen from the receipt of the R&D refundable tax offset (deferred franking debit).

### Year 2

In year 2, RI Pty Ltd pays income tax of \$30,000. This would ordinarily give rise to a credit in its franking account of \$30,000. However, the entity must take into account any year 2 or prior year deferred franking debits. As RI Pty Ltd had a deferred franking debit in year 1, this needs to be taken into account prior to a credit amount arising in its franking account.

The following method statement shows the steps of how this is taken into account:

1. Identify income years for which the entity received a refund of income tax before the entity paid tax.

For RI Pty Ltd, this was year 1.

2. Add up the part of the refund that is attributable to a tax offset that is subject to the R&D refundable tax offset rules.

For RI Pty Ltd, the amount of R&D tax offset received was \$45,000. This is the amount of the deferred franking debit.

3. Subtract franking credits previously applied against the deferred franking debit.

RI Pty Ltd has not previously applied any franking credits against its deferred franking debit. The result after applying this step for year 2 is a deferred franking debit of \$45,000.

4. Reduce the franking credit for year 2 by the deferred franking debit calculated in step 3.

For RI Pty Ltd, its franking credit of \$30,000 is reduced to zero.

The remaining deferred franking debit (for example \$15,000) will need to be taken into account when a future PAYG instalment amount or income tax is paid.

### **Year 3**

In year 3, RI Pty Ltd pays income tax of \$36,000. This would ordinarily give rise to a credit in its franking account of \$36,000. However, the entity must take into account any year 3 or prior year deferred franking debit. The following method statement is again applied:

1. Identify income years for which the entity received a refund of income tax before the entity paid tax.

For RI Pty Ltd, this was year 1.

2. Add up the part of the refund that is attributable to a tax offset that is subject to the R&D refundable tax offset rules.



For RI Pty Ltd, the amount of R&D tax offset received was \$45,000. This is the amount of the deferred franking debit.

3. Subtract franking credits applied against the deferred franking debit.

For RI Pty Ltd, \$30,000 was applied against the year 1 deferred franking debit in year 2. The result after applying this step for year 3 is a deferred franking debit of \$15,000.

4. Reduce the franking credit for year 3 by the deferred franking debit calculated in step 3.

The franking credit of \$36,000 is reduced by \$15,000. As all deferred franking debits have been utilised, a franking credit of \$21,000 (\$36,000 – \$15,000) arises in RI Pty Ltd's franking account in year 3.

## Contact us for help

To speak to an ATO service representative for general business enquires, [contact us](#).

If you don't speak English well and need help, phone the Translating and Interpreting Service (TIS National) on **13 14 50**.

If you are deaf or have a hearing or speech impairment, you can phone us through the [National Relay Service](#)  (NRS).

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## Instructions to complete the Franking account tax return 2025

Instructions for completing sections A, B, C, the payment slip and declaration of the franking account tax return.

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## **Section A – entity information**



Complete all the labels in Section A of the form.

## **Section B – Franking deficit tax and over-franking tax**



Complete labels in Section B of the form if you have a franking deficit tax or over-franking tax amount.

## **Section C – Significant variation in benchmark franking percentage**



Complete the benchmark franking periods and percentages at Section C of the form.

## **Payment slip**



How to complete the payment slip for total tax payable.

## **Declaration and other information**



Find out who can sign the form and when penalties and interest apply.

# Section A – entity information

Complete all the labels in Section A of the form.

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[Is this a subsequent Franking account tax return for the income year?](#)

[What is your franking account balance at the end of the period?](#)

[What is your venture capital sub-account balance at the end of the period?](#)

[You may be entitled to the full amount of your current year FDT offset](#)

## Is this a subsequent Franking account tax return for the income year?

Answer **Yes** only if this is a subsequent Franking account tax return that is being lodged because either:

- the corporate tax entity has received a refund of income tax that affects its FDT liability
- the corporate tax entity is a late balancing entity that
  - elected to have its FDT liability determined on a 30 June basis
  - was required to lodge a Franking account tax return on or before 31 July 2025 disclosing an FDT liability
  - has an OFT liability or an obligation to disclose a significant variation in its benchmark franking percentage.

If this is a subsequent Franking account tax return for the income year, print **X** in the **Yes** box at this question; otherwise print **X** in the **No** box.

## What is your franking account balance at the end of the period?

Write the amount of your entity's franking account balance (including nil balances) either:

- at the end of the income year (or the 12-month period ending on 30 June)
- immediately before it ceased to be a franking entity
- in the case of a New Zealand franking company, when its election to join the Australian imputation system is revoked or cancelled.

In the code box next to the amount, print either:

- the letter **S** if you have a surplus
- the letter **D** if you have a deficit.

## What is your venture capital sub-account balance at the end of the period?

If your entity is a pooled development fund (PDF), write the amount of your venture capital sub-account balance (including nil balances) at the end of the income year (or the 12-month period ending 30 June). If the entity ceased to be a PDF during the income year, write the amount of the venture capital sub-account balance immediately before the entity ceased to be a PDF.

In the code box next to the amount, print either:

- the letter **S** if you have a surplus
- the letter **D** if you have a deficit.

If your entity is not a participating PDF and you do not know the balance of your venture capital sub-account, print **UNKNOWN** instead of the amount.

## You may be entitled to the full amount of your current year FDT offset

A corporate tax entity which satisfies the residency requirement for imputation purposes for an income year (the relevant year) is able to

claim the whole or part of the amount of its FDT liability incurred in that year as a tax offset against its income tax for that, or a subsequent, relevant year.

The maximum offset that an entity is entitled to claim is the amount of the FDT liability. This is reduced where the FDT liability attributable to certain debits that arose in the franking account for the relevant year is greater than 10% of the total franking credits that arose in the franking account for the relevant year. This is known as the 'FDT offset reduction rule'. See [Exception for private companies with no previous income tax liability](#) for some exceptions to the FDT offset reduction rule.

For certain late balancing entities, the relevant year is the 12-month period ending on 30 June. Special provisions apply to these entities which may affect the calculation of the offset.

Record the code which represents your circumstances from the below:

- [Which franking debits trigger the application of the FDT offset reduction rule?](#)
- [Exception for private companies with no previous income tax liability](#)
- [Commissioner's discretion where a deficit arose due to events beyond the entity's control.](#)

## Which franking debits trigger the application of the FDT offset reduction rule?

The FDT offset reduction will only apply for an income year in which the franking deficit is attributable to certain franking debits ('attributable debits'). Principally, these are debits that arise under items **1, 3, 5** or **6** of the table in section 205-30 of the ITAA 1997. These debits arise in circumstances where an entity has, directly or indirectly, made a franked distribution.

**Table 2: Items 1, 3, 5 and 6 in the table in section 205-30 of the ITAA 1997**

Item	Debits in the franking account
Item 1	Franking debits that arise when an entity franks a

	distribution
Item 3	Franking debits that arise when an entity franks a distribution in contravention of the benchmark rule
Item 5	Franking debits that arise when a distribution by one entity is substituted for a distribution by another entity
Item 6	Franking debits that arise when a tax-exempt bonus share is issued in substitution for a franked distribution

If an entity has one or more of these debits, then the attributable debits also include debits arising under item **2** of the table in section 205-30 of the ITAA 1997 (franking debits that arise from a refund of income tax).

Print **F** in the code box if the entity had a franking deficit but didn't have any item **1, 3, 5** or **6** franking debits in the franking account in the income year in which the deficit arose. The FDT offset reduction will not apply in this case.

## Exception for private companies with no previous income tax liability

The FDT offset reduction will not apply if all of the following apply:

1. The entity is a private company for the relevant year.
2. The company has not had an income tax liability for any income year before the relevant year.
3. The company would have had an income tax liability for the relevant year if it did not have the tax offset (but had all its other tax offsets).
4. The amount of the liability referred to in paragraph (c) is at least 90% of the amount of the deficit in the company's franking account at the end of the relevant year.

Print **P** in the code box if the entity had item **1, 3, 5** or **6** franking debits and is a private company that satisfies all the criteria in (a) to (d).

## Commissioner's discretion where a deficit arose due to events beyond entity's control

The Commissioner has a discretion not to apply the FDT offset reduction where events that caused the deficit were outside the control of the entity. The Commissioner will generally consider a franking deficit to have arisen due to circumstances that were outside the entity's control if both:

- the events that gave rise to the deficit were not readily foreseeable and could not be influenced by the entity
- no broader exploitation of the imputation system is involved.

For example, a company franks a distribution part way through an income year in the reasonable expectation that its future quarterly pay as you go (PAYG) instalment payments would be sufficient to ensure there is no deficit in its franking account at the end of the income year. An unexpected downturn in business has resulted in the company's future quarterly PAYG instalment payments being less than expected. In these circumstances, it would be expected that the Commissioner would make a determination to allow the full tax offset.

Print **C** in the code box if the entity wishes to apply for the discretion referred to above, and provide an attachment to the Franking account tax return which outlines the circumstances in which the FDT liability arose. Ensure that the attachment is clearly titled **Franking deficit tax – request for exercise of Commissioner's discretion**. The attachment must include all of the following information:

- entity name and tax file number (TFN)
- income year in which the FDT liability arose and the amount of the franking deficit
- detailed reasons why the deficit arose due to events that were unanticipated or outside the control of the entity.

The attachment must be signed by the public officer of the entity or an agent duly authorised by the entity. We will consider each application on a case-by-case basis and will notify the applicant of our decision.

Continue to: **Section B – Franking deficit tax and over-franking tax**

## Section B – Franking deficit tax and over-franking tax

Complete labels in Section B of the form if you have a franking deficit tax or over-franking tax amount.

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## Credits that arose in your franking account

If you are a corporate tax entity that received the R&D refundable tax offset during the period to which the franking account return relates (or you received the R&D refundable tax offset in an earlier period), you should only include franking credits arising from either payments of PAYG instalments or income tax after all deferred franking debits have been utilised.

Show at label **A Credits that arose in your franking account** the total franking credits that arose in the franking account for the period to which this Franking account tax return relates. This amount is the total of all franking credits that arose in the franking account during the income year (or the 12-month period ending on 30 June, for certain late balancing corporate tax entities).



The total amount of franking credits that arose in the franking account in an income year:

- doesn't include the opening balance of the franking account for the income year, but
- does include a credit that arises at the beginning of the income year as a result of an FDT liability that is incurred at the end of the previous income year.

The amount at label **A** should reflect a 'tax paid' basis.

## **Total franking credits for subsidiary members moving in and out of a consolidated group**

When a corporate tax entity becomes a subsidiary member of a consolidated group, it must determine its franking account balance just before the time of entry (the 'joining time'). If the subsidiary has a deficit balance in its franking account just before the joining time, it is liable to pay FDT.

The period during the income year before the joining time or after exit from the consolidated group is a 'non-membership period'. If there is a liability to pay FDT, the subsidiary must show at label **A** the total franking credits that arose during the non-membership period ending immediately before the joining time.

During the period in which a corporate tax entity is a subsidiary member of a consolidated group (the 'membership period'), its franking account continues to exist but is inoperative. While the subsidiary member's franking account is inoperative, any franking credits or debits that would have arisen in the subsidiary's franking account if the subsidiary were not a member are instead attributed to the franking account of the head company. This includes entries relating to a non-membership period but which came about during the membership period.

A corporate tax entity may have operated outside the group for more than one non-membership period during a particular income year. In this case, work out the amount of franking credits that arose for that year by calculating the amount of franking credits that arose for each non-membership period. The subsidiary member's total franking credits received for the income year, shown at label **A**, is the total of the credits that arose in each non-membership period.

The amount shown at label **A** for the period in this Franking account tax return does not necessarily equal the amount shown at item **7** – label **J Franking credits** in the **Company tax return 2025**. Amounts at label **A** relate to all the franking credits that arose in the franking account during the period to which this Franking account tax return relates. By contrast, item **7** – label **J** on the company tax return relates only to franking credits that arose because of franked distributions received during the income year.

## Franking deficit tax

Under the simplified imputation system, a liability to pay FDT will arise where **one** of the following occurs:

- A corporate tax entity has a franking deficit in its franking account at, either
  - the end of its income year
  - at the time it ceases to be a franking entity
  - in the case of a New Zealand franking company, when its election to join the Australian imputation system is revoked or cancelled – for more information, see **Trans-Tasman imputation special rules**.
- The subsidiary has a franking deficit in its franking account just before the entity becomes a subsidiary member of a consolidated group.
- A corporate tax entity receives certain refunds of income tax
  - within 3 months after the end of the income year or
  - within 3 months after it ceases to be a franking entity, **and** a franking deficit (or an increase in a franking deficit) would have arisen if the refund had been received in the income year. For more information, see [A refund of income tax affecting a FDT liability](#).

A franking entity is a corporate tax entity that is not a mutual life insurance company. Where the entity is a company that is a trustee of a trust, it will be a franking entity at a particular time if it is not acting in its capacity as trustee of the trust at that time.

A late balancing corporate tax entity that elects to have its FDT determined on a 30 June basis will be liable to pay FDT either:

- where a franking deficit exists at the end of 30 June or immediately before it ceases to be a franking entity
- in the case of a New Zealand franking company, when its election to join the Australian imputation system is revoked or cancelled.

It will also be liable to pay FDT if it receives certain refunds of income tax within 3 months of the period ending on 30 June.

A franking deficit exists where the total amount of franking debits exceed the total amount of franking credits.

Show at label **B FDT** the sum of the amounts of the franking deficit in the franking account, for one of the following:

- at the end of the income year (or the 12-month period ending on 30 June for certain late balancing corporate tax entities)
- immediately before the entity ceases to be a franking entity
- immediately before the entity becomes a subsidiary member of a consolidated group
- in the case of a New Zealand franking company, when its election to join the Australian imputation system is revoked or cancelled, taking into account any refunds taken to have been received in that period (see [A refund of income tax affecting a FDT liability](#)).

This is the amount of FDT that is payable.

Where a corporate tax entity incurs an FDT liability, it is generally able to claim the whole or part of that amount as a tax offset against its future income tax liabilities. See [Offsetable portion of current year FDT](#).

If you are required to complete label **F FDT attributable to refund** (see [A refund of income tax affecting a FDT liability](#)) then you must include the amount shown at label **F** (if any) in the amount at label **B FDT**.

## **FDT liability for subsidiary members moving in and out of a consolidated group**

Where a corporate tax entity becomes a subsidiary member of a consolidated group, it must determine its franking account balance just before the time of entry (the 'joining time'). If the subsidiary has a

franking deficit in its franking account just before the joining time, it is liable to pay FDT. Include at label **B** the amount of franking deficit in the franking account just before the joining time.

The period during the income year before the joining time or after exit from the consolidated group is a 'non-membership period'. There could be multiple exits and entries within one income year. Where a corporate tax entity has operated outside the group for more than one period during a particular income year, the amount of FDT liability that arose for that year is worked out by calculating the amount of franking deficit balance that was in the franking account just before each of the joining times. Include at label **B** the total of the deficit balances that were in the subsidiary member's franking account just before each of the joining times.

Where a corporate tax entity has more than one non-membership period during a particular income year, attach a letter to the Franking account tax return detailing the amount of credits that arose in your franking account and the franking tax liability for each non-membership period. Also provide the name of the head company of each consolidated group of which your company was or is a member. We need this information to process your Franking account tax return correctly.

### **Example 3: subsidiary member moving in and out of a consolidated group**

Melmott Ltd has an income year from 1 July to 30 June. On 1 October 2024, Melmott Ltd became a subsidiary member of a consolidated group and then exited the group on 1 February 2025. On 1 April 2025, Melmott Ltd became a member of another consolidated group and at 30 June 2025 was still a member of this other consolidated group.

In calculating its FDT liability for 2024–25, Melmott Ltd must determine the deficit balances that it had in its franking account just before it joined each of the consolidated groups.

Melmott Ltd's non-membership periods, the franking deficit balances and the total franking credits that arose during each non-membership period are as follows:

**Table 3 Determine franking deficit balances and franking credits**

<b>Non-membership period</b>	<b>Balance in franking account just before the joining time</b>	<b>Total franking credits during non-membership period</b>
1 July 2024 to 30 September 2024	A\$500 Dr – a franking deficit	A\$200 Cr
1 February 2025 to 31 March 2025	A\$400 Dr – a franking deficit	A\$100 Cr

Melmott Ltd shows the total franking credits that arose in the franking account for each non-membership period (\$300) at label **A** and the total of the FDT balances (\$900) at label **B**. Melmott Ltd also provides the information in the above table, as well as the name of the head company of each consolidated group of which it was or is a member, as an attachment to the Franking account tax return.

## **A refund of income tax affecting a FDT liability**

An entity is taken to have received an income tax refund for an income year immediately before the end of the income year or immediately before it ceased to be a franking entity if both:

- the refund is paid within 3 months after the end of the income year or within 3 months after it ceased to be a franking entity (and it is attributable to a period in the year during which the entity was a franking entity)
- the franking account would have been in deficit, or in deficit to a greater extent, at the end of that income year or immediately before it ceased to be a franking entity, had the refund been received during the income year or before the entity ceased to be a franking entity.

This rule ensures that an entity does not avoid FDT by deferring the time at which a franking debit occurs in its franking account.

Some late balancing corporate tax entities may elect to have their FDT liability determined on 30 June. If a late balancing corporate tax entity makes this election, it will be taken to have received an income tax refund immediately before 30 June or immediately before it ceased to be a franking entity if all of the following apply:

- The refund is received within either
  - 3 months after 30 June
  - 3 months immediately after it ceased to be a franking entity.
- The refund is attributable to either
  - the 12-month period ending on 30 June
  - a period within that 12 months during which the entity was a franking entity.
- The franking account would have been in deficit, or in deficit to a greater extent, at the end of 30 June or immediately before it ceased to be a franking entity, had the refund been received either
  - immediately before 30 June
  - immediately before it ceased to be a franking entity.

If you receive a refund of the kind explained above and you are already obliged to lodge (and have not yet lodged) a Franking account tax return, then you can account for the refund and your other liabilities or obligations in a single tax return. If you do not account for the refund in that single tax return, then you need to account for it in a further tax return. If you do account for the refund in a further tax return:

- print **X** in the **Yes** box at Section **A**, **Is this a subsequent franking account tax return for the income year?** and
- write the amount of the FDT attributable to the refund of income tax in Section **B**, label **F FDT attributable to refund**. Complete label **F** only if this Franking account tax return is a further tax return. You must include the amount at label **F** (if any) in the amount at label **B FDT**.

## Amount of FDT

If, before receipt of the refund, there was a franking deficit at the end of the income year (or the 12-month period ending on 30 June) or immediately before the entity ceased to be a franking entity, then the

franking deficit that should be written at label **B** is that deficit plus the amount of the refund.

If, before receipt of the refund, there was no franking deficit at the end of the income year (or the 12-month period ending on 30 June) or immediately before the entity ceased to be a franking entity, then the franking deficit that should be written at label **B** is the amount of the refund reduced by the franking surplus (if any) existing at that time.

If you have completed label **F**, include the amount at label **F** in the amount at label **B**. Any FDT that you have already paid will be taken into account.

## Lodgment and payment date

The time for lodgment of a Franking account tax return that accounts for a refund of income tax will depend on whether a Franking account tax return is outstanding at the time the refund is received.

A Franking account tax return is an **outstanding return** at the time a refund of income tax is received if **all** the following apply:

- The entity is required to lodge a Franking account tax return (for example, because the entity's franking account was in deficit at the end of its income year or immediately before it ceased to be a franking entity).
- The time for lodging the entity's Franking account tax return has not yet passed.
- The Franking account tax return has not yet been lodged.

For certain late balancing corporate tax entities that elect to have their FDT liability determined on a 30 June basis, a Franking account tax return is outstanding if **all** of the following apply:

- The entity is required to lodge a Franking account tax return (for example, because the entity's franking account was in deficit at the end of 30 June or immediately before it ceased to be a franking entity).
- The time for lodging the entity's Franking account tax return has not yet passed.
- The Franking account tax return has not yet been lodged.

## Is there an outstanding Franking account tax return when you receive a refund?

**No** – Lodge the Franking account tax return that accounts for the refund. Pay any FDT liability within 14 days after you receive the refund.

**Yes** – Lodge the outstanding Franking account tax return when you receive the refund. Pay any FDT or OFT by the last day of the month following the end of the income year (or the 12-months period ending on 30 June). Account for the refund either:

- in the outstanding Franking account tax return
- in an additional Franking account tax return. Lodge this additional Franking account tax return (and pay the additional FDT) within 14 days after you received the refund.

## Offsetable portion of current year FDT

Where a corporate tax entity incurs an FDT liability in a year for which it is a resident entity for imputation purposes, it is able to claim the whole or part of that amount as a tax offset against its income tax liability for that year or a subsequent year for which it is a resident entity for imputation purposes.

The maximum amount of the offset is the amount of the FDT liability. This is reduced where an entity has, directly or indirectly, made a franked distribution, and the deficit is, at least in part, attributable to franking debits that arose in the franking account under items **1, 2, 3, 5** and **6** of the table in section 205-30 of the ITAA 1997 (but not item **2** alone) and that part is greater than 10% of the total credits that arose in the franking account for 2024–25. This is called the **FDT offset reduction rule**.

For certain late balancing entities, the year is the 12-month period ending on 30 June. Special provisions apply to these entities, which may affect the calculation of the offset.

Where the FDT offset reduction rule applies, the tax offset is reduced by an amount equal to 30% of the portion of the deficit attributable to items **1, 2, 3, 5** and **6** franking debits (see [Table 4](#)).

The amount of FDT liability able to be offset will not be reduced where either:



- the entity is a private company with no previous income tax liability that satisfies certain criteria
- the Commissioner's discretion is exercised to allow the full offset because the deficit was due to events beyond the entity's control
- the entity didn't have any item **1, 3, 5** or **6** debits in the franking account for the year the deficit arose.

If you show the letter **P** or **F** at the code box in Section **A** of this tax return, the offset will not be reduced, and the amount you show at label **C Offsetable portion of current year FDT** is equal to the FDT liability you show at label **B**.

If you show the letter **C** at the code box in Section **A** of this tax return, show the reduced offset amount at label **C Offsetable portion of current year FDT**. However, the full amount of the offset will be allowed to a corporate tax entity that satisfies the residency requirement for imputation purposes if the Commissioner exercises the discretion to allow it.

For more information about the situations where the offset reduction rule does not apply, see *You may be entitled to the full amount of your current year FDT offset*.

## How to calculate the reduced offset amount to include at **C Offsetable portion of current year FDT**

The full amount of the FDT liability recorded by a corporate tax entity at label **B** can be used to calculate its FDT offset because of the current year's deficit if **both** of the following apply:

- the entity is a resident entity for imputation purposes for the relevant year
- the FDT liability attributable to items **1, 2, 3, 5** and **6** (of the table below) is less than or equal to 10% of the total franking credits that arose in the franking account for the income year.

This same amount should be recorded in Section B at label **C Offsetable portion of current year FDT**.

**Table 4: Franking debits in the franking account may arise under section 205-30 of the ITAA 1997 when one of the following items applies**

Item	Debits in the franking account
Item 1	An entity franks a distribution.
Item 2	An entity receives a refund of income tax.
Item 3	An entity franks a distribution in contravention of the benchmark rule.
Item 4	An entity ceases to be a franking entity.
Item 5	A distribution by one entity is substituted for a distribution by another entity.
Item 6	A tax-exempt bonus share is issued in substitution for a franked distribution.
Item 7	The Commissioner makes a determination under paragraph 204-30(3)(a) of the ITAA 1997.
Item 7A	An amount is transferred to an entity's share capital account in contravention of the share capital tainting rules.
Item 7B	An entity chooses to untaint its share capital account.
Item 9	A company buys back a membership interest in an on-market buy-back.
Item 9A	A listed public company buys back a membership interest in an off-market share buy-back.
Item 9B	A listed public company makes a distribution in consideration for the cancellation of a membership interest as part of a selective reduction of capital.

For more information in relation to items **9A** and **9B**, see **Off-market share buy-backs**.

Subject to the exceptions mentioned above and the special rule for late balancing entities, the reduced offset amount that should be shown at label **C Offsetable portion of current year FDT** is calculated using the following method.

**Step 1:** Work out the amount of FDT liability that the entity has incurred in the income year.

**Step 2:** Did any franking debits arise in the entity's franking account under items **1, 3, 5** or **6** of section 205-30 of the ITAA 1997?

- If yes, go to step 3.
- If no, the FDT offset reduction does not apply. The amount of FDT liability from step 1 is the amount shown at label **C Offsetable portion of current year FDT** on the Franking account tax return. This is the amount that can be claimed as a tax offset by a corporate tax entity that satisfies the residency requirement for imputation purposes.

**Step 3:** Work out the amount of FDT liability attributable to items **1, 3, 5** and **6**, plus any item **2** franking debits.

- Add together the opening credit balance (if any) of the franking account and any franking credits that arose in the account for the year (see label **A Credits that arose in your franking account**). Subtract from this amount the total of the items **1, 2, 3, 5** and **6** franking debits.
- If the result is zero or positive, the FDT offset reduction does not apply and the amount of FDT liability from step 1 can be claimed as a tax offset by a corporate tax entity that satisfies the residency requirement for imputation purposes. This is the amount that you show at label **C Offsetable portion of current year FDT** on the franking account return.
- If the result is negative, this is the amount of FDT attributable to items **1, 2, 3, 5** and **6**.

**Step 4:** The FDT offset reduction doesn't apply and the amount of FDT liability from step 1 can be claimed as a tax offset by a corporate tax entity that satisfies the residency requirement for imputation purposes, if:

- the step 3 amount for the income year is negative, and
- it is less than or equal to 10% of the total franking credits that arose in the franking account for the same year.

In this case, it is the FDT liability amount from step 1 amount that you show at label **C Offsetable portion of current year FDT** on the franking account return.

If the step 3 amount for the year is negative and is greater than 10% of the total franking credits that arose in the franking account for the same year, the FDT offset reduction applies as follows:

- Work out 30% of the step 3 amount. This is the reduction amount.
- Subtract the reduction amount from the amount of FDT liability at step 1.
- The result is the amount that can be claimed as a tax offset by a corporate tax entity that satisfies the residency requirement for imputation purposes. This is the amount that you show at label **C Offsetable portion of current year FDT** on the Franking account tax return.

The amount you show at label **C Offsetable portion of current year FDT** of this Franking account tax return is only step 1 in the calculation to determine the whole amount that a corporate tax entity (that satisfies the residency requirement for imputation purposes) is entitled to as an FDT offset against any income tax liability arising in *Company tax return 2025*. For more information on how to calculate this amount, use the **Company tax return instructions 2025**.

Corporate tax entities that do not satisfy the residency requirement for imputation purposes are not entitled to the offset. However, they include at label **C Offsetable portion of current year FDT** the amount calculated in accordance with the above method.

#### **Example 4: calculating offsetable portion of current year FDT**

EKW Ltd is an Australian resident company for imputation purposes. The company has a deficit in its franking account on 30 June 2025 of \$80,000 and is liable to FDT.

The balance of its franking account at 1 July 2024 was \$10,000 and the only franking credits to arise in its franking account during 2024–25 were PAYG instalments of \$500,000 that were paid by the company.

The company made the following franking debits to its franking account:

- \$510,000 of franking credits on distributions (item **1** franking debits)

- \$60,000 as a consequence of a refund of tax (item **2** franking debits)
- \$20,000 as a consequence of the Commissioner making a determination under the streaming provisions (item **7** franking debits).

Because franking debits arose in the company's franking account under item **1** of the table in section 205-30 of the ITAA 1997, the FDT attributable to item **2** franking debits will also be taken into account in determining whether the FDT offset reduction applies and if so the amount of the reduction.

The FDT attributable to items **1** and **2** franking debits is a negative amount of \$60,000 calculated at step 3 (that is,  $10,000 + \$500,000 - \$510,000 - \$60,000$ ). This amount exceeds 10% of the \$500,000 franking credits in the company's franking account for 2024–25. Therefore, the 30% FDT offset reduction will apply to the FDT that is attributable to the items **1** and **2** franking debits.

Consequently, the company is entitled to a tax offset of \$62,000 – that is, the FDT liability of \$80,000 minus  $(\$60,000 \times 30\%)$ . The company will show \$62,000 at label **C Offsetable portion of current year FDT**.

If debits arose in the company's franking account under items **1, 3, 5** or **6** of the table in section 205-30 of the ITAA 1997, ensure you have read instructions for label **K Debits not subject to the FDT offset penalty**.

## Debits not subject to the FDT offset reduction

Franking debits arising under items **4, 7, 7A, 7B, 9, 9A** or **9B** and in some circumstances item **2** of the table in section 205-30 of the ITAA 1997 will not be taken into account when determining whether the FDT offset reduction applies and the amount of the reduction. See [Table 4](#) for details of the debits relating to these items.

Franking debits arising under items **10, 11** and **12** of the table in section 205-30 of the ITAA 1997 (in relation to friendly societies) will not be taken into account.

A franking debit that arises from a refund of diverted profits tax under item **13** of the table in section 205-30 of the ITAA 1997 will also not be taken into account.

Show at label **K** the amount of franking debits that arose in the corporate tax entity's franking account under items **4, 7, 7A, 7B, 9, 9A, 9B, 10, 11, 12** and **13** of the table in section 205-30 of the ITAA 1997 for the period to which this Franking account tax return relates.

If no franking debits arose in the corporate tax entity's franking account under items **1, 3, 5** or **6** of the table in section 205-30 of the ITAA 1997, also show at label **K** any franking debits that arose under item **2** **Franking debits that arise when the entity receives a refund of income tax.**

## Over-franking tax

Where the franking percentage for a distribution exceeds the benchmark franking percentage, a liability for OFT may arise. No liability will arise if either:

- the Commissioner has made a determination permitting the over-franking
- the corporate tax entity is a listed public company that satisfies certain criteria so that it is not subject to the benchmark rule or is a 100% subsidiary of such a company.

Show at label **D Over-franking tax** the amount of OFT worked out using the following formula:

**Amount of the frankable distribution × (franking % differential ÷ applicable gross-up rate).**

- where the franking % differential is the difference between the franking percentage for the frankable distribution and either
  - the entity's benchmark franking percentage for the franking period in which the distribution is made
  - the franking percentage permitted by the Commissioner in a determination allowing the corporate tax entity to depart from the benchmark rule
- where the applicable gross-up rate is the corporate tax gross-up rate of the entity making the distribution for the income year in

which the distribution is made. The corporate tax gross-up rate is calculated using the following formula

$$(100\% - \text{your corporate tax rate for imputation purposes}) \div \text{your corporate tax rate for imputation purposes.}$$

For 2024–25, the corporate tax rate for imputation purposes can be 25% or 30%. To determine your corporate tax rate for imputation purposes, see [Allocating franking credits](#). For more information on company tax rates, see [Changes to company tax rates](#).

### **Example 5: entity's franking distribution percentage exceeds benchmark percentage resulting in OFT**

In 2024–25, Salomon Pty Ltd made a distribution of \$500 to its members. Salomon Pty Ltd's corporate tax rate for imputation purposes is 30% and they allocated franking credits of \$214, resulting in a franking percentage of 100%. The benchmark franking percentage for the franking period was 40%.

The franking % differential is  $100\% - 40\% = 60\%$

The applicable gross-up rate is  $(100\% - 30\%) \div 30\% = 2.3333$

As Salomon Pty Ltd has franked the distribution to more than the benchmark percentage, it is liable to OFT calculated as follows:

$$\text{\$500} \times (60\% \div 2.3333) = \text{\$128}$$

Salomon Pty Ltd shows the \$128 OFT in label **D**.

### **Example 6: late balancing entity that had its FDT liability determined on 30 June and now has an OFT liability**

Felix Ltd is an unlisted public company that has an approved substituted accounting period ending 30 September 2025 in lieu of 30 June 2025.

Felix Ltd, being a late balancing corporate tax entity, elected to have its FDT liability determined on a 30 June basis.

On 30 June 2025 Felix Ltd had a deficit balance of \$100 in its franking account. Felix Ltd is required to lodge a *Franking account tax return 2025* disclosing this liability on or before 31 July 2025.

In addition to this, Felix Ltd had an OFT liability of:

- \$150 for its first franking period (1 October 2024 to 31 March 2025), and
- \$200 for its second franking period (1 April 2025 to 30 September 2025).

Felix Ltd must:

- lodge a subsequent *Franking account tax return 2025* disclosing this OFT liability of \$350 at label **D**, by 31 October 2025
- print **X** in the **Yes** box at section **A: Is this a subsequent franking account tax return for the income year?**

## Total tax payable

After completing section **B**, add up the amounts shown at label **B** (or, if the franking account tax return is a further return, at label **F**) and label **D** and write the total at label **E Total tax payable**. This is the amount the entity has to pay.

You will need to complete on the form, the payment slip.

The amount completed at section **B**, label **A Credits that arose in your franking account**, does not necessarily equal the amount on the *Company tax return 2025* at item **7 Franking credits** – label **J**.

Amounts in label **A** relate to all the franking credits that arose in the franking account during the income year. By contrast, item **7** – label **J** in the company tax return relates only to franking credits you received that were attached to franked distributions received during the income year.

Continue to: **Section C – Significant variation in benchmark franking percentage**



## Section C – Significant variation in benchmark franking percentage

Complete the benchmark franking periods and percentages at Section C of the form.

Published 29 May 2025

### On this page

[Franking period](#)

[Was there a significant variation in benchmark franking percentage between franking periods?](#)

## Franking period

For a corporate tax entity that is a private company, a franking period is the same as its income year.

For corporate tax entities that are not private companies, there are ordinarily 2 franking periods in an income year. The first franking period is the first 6 months beginning at the start of the entity's income year; and the second franking period will be the remainder of the income year.

## Was there a significant variation in benchmark franking percentage between franking periods?

Where a corporate tax entity has a significant variation in its benchmark franking percentage between franking periods, it has an obligation to disclose this information to the Commissioner (unless it is

a listed public company that satisfies certain criteria, or is a 100% subsidiary of such a company).

A significant variation occurs where the benchmark franking percentage for the current franking period has increased or decreased by more than 20 percentage points for each franking period. The time frame for determining whether a significant variation has occurred starts immediately after the last franking period in which a frankable distribution was made (the last relevant franking period) and ending at the end of the current franking period.

A corporate tax entity may **apply for permission to depart from the benchmark rule**. The application must be in writing and a departure will only be permitted in extraordinary circumstances that would be unforeseeable and beyond the control of the entity, its members and controllers. The approval of the Commissioner must be obtained before the entity lodges the Franking account tax return with the altered franking percentage.

Example 6 and [example 7](#) will help you to work out whether there was a significant variation in your entity's benchmark franking percentage between franking periods.

If there was a significant variation, print **X** in the **Yes** box at **Was there a significant variation in benchmark franking percentage between franking periods?** in the *Franking account tax return 2025*. Complete the rest of section C.

- For the purposes of recording the benchmark franking percentage at labels **G** to **J**, the value stated should be worked out to 2 decimal places, rounding up if the third decimal place is 5 or more.
- Listed public companies that satisfy the criteria set out in subsection 203-20(1) of the ITAA 1997, and 100% subsidiaries of such companies, do not need to complete section C.

If there was no significant variation, print **X** in the **No** box at **Was there a significant variation in benchmark franking percentage between franking periods?** in the *Franking account tax return 2025*. Do not complete the rest of section C.

### **Example 7: corporate tax entity with 2 franking periods**

XYZ Ltd is an unlisted public company. Its income year started on 1 July 2024 and ended on 30 June 2025. Its franking periods and benchmark franking percentage for 2024–25 were:

**Table 5: Corporate tax entity, XYZ Ltd, with 2 franking periods**

Franking period	Period	Benchmark franking percentage
1	1 July 2024 to 31 December 2024	50.46%
2	1 January 2025 to 30 June 2025	100.00%

XYZ Ltd's franking percentage for franking period 2 is 100%. This is an increase in the benchmark franking percentage for franking period 1 by an amount that is greater than 20 percentage points, resulting in a significant variation in the benchmark franking percentage. XYZ Ltd has an obligation to disclose this information on its 2024–25 Franking account tax return. Consequently it:

- prints **X** in the **Yes** box at **Was there a significant variation in benchmark franking percentage between franking periods?**
- completes the relevant benchmark franking period and percentage boxes.

### **Example 8: private company**

Dombey Pty Ltd is a private company that has an income year from 1 July 2024 to 30 June 2025. The **franking period** of a private company is the same as its income year.

For the 2024–25 income year, Dombey Pty Ltd's:

- first franking period was from 1 July 2023 to 30 June 2024 – and during 2023–24 Dombey Pty Ltd’s benchmark franking percentage was 60%, and
- second franking period was 1 July 2024 to 30 June 2025 – and during 2024–25 Dombey Pty Ltd’s benchmark franking percentage was 30%.

For 2024–25, Dombey Pty Ltd:

- completes section **C** in the Franking account tax return, because its benchmark franking percentage decreased by more than 20 percentage points in the franking period for 2024–25
- prints **X** in the **Yes** box at **Was there a significant variation in benchmark franking percentage between franking periods?**
- completes the relevant benchmark franking period and percentage boxes.

Continue to: **Payment slip**

QC 104317

## Payment slip

How to complete the payment slip for total tax payable.

**Published** 29 May 2025

Complete the payment slip for total tax payable from section B on the form.

On the payment slip provided on the form, print your:

- entity’s name
- TFN

- Australian business number (ABN).

In the **Amount payable** box, write the amount you recorded at section B, label **E Total tax payable**. This is the amount of FDT and OFT that is to be paid.

For details on how to pay this amount, see [How to lodge your franking account tax return and pay](#).

Continue to: [Declaration and other information](#)

QC 104317

## Declaration and other information

Find out who can sign the form and when penalties and interest apply.

**Published** 29 May 2025

### On this page

[Signing this tax return](#)

[Penalties for failing to lodge documents on time and general interest charge](#)

## Signing this tax return

The law requires that an authorised person signs this tax return. An authorised person for this purpose may be either:

- the public officer of the company
- an agent duly authorised by the company.

Where an agent provides this tax return and accompanying information (where applicable), the company must prepare, and give to the agent, a signed declaration stating that both:

- the company authorises the agent to give this tax return and accompanying information (where applicable) to the Commissioner
- the information provided to the agent for preparation of the tax return is true and correct.

The company must retain such a declaration or a copy of it for a period of 5 years.

## **Penalties for failing to lodge documents on time and general interest charge**

The law imposes a **penalty** on a corporate tax entity that does not lodge this tax return by the due date. It also imposes a **general interest charge** on an entity that fails to pay FDT or OFT by the due date.

The Commissioner has the discretion to remit any penalty in whole or in part. If the entity considers the **penalty should be remitted**, a statement should be attached to this tax return explaining why remission should be granted.

The Commissioner also has the discretion to remit any general interest charge in whole or in part.

A **request for the remission of the general interest charge** should be made in writing, outlining fully the circumstances that led to the delay in payment.

Continue to: [How to lodge the franking account tax return and pay](#)

Return to: [About the franking account tax return](#)

QC 104317

## **How to lodge the franking account tax return and pay**

How and when to lodge the Franking account tax return and the payment options available.

**Last updated** 29 May 2025

## When to lodge and pay

Generally, the Franking account tax return must be lodged, and the FDT liability and OFT liability must be paid, on the last day of the month following the end of the income year.

Late balancing corporate tax entities that elect to have their FDT liability determined on a 30 June basis must lodge a Franking account tax return by 31 July each year. This date is also the date by which the FDT is payable. There are different lodgment obligations in relation to OFT liabilities and disclosure obligations for these entities. For more information, see **Late balancing corporate tax entities to have FDT liability determined on 30 June**.

There are some different lodgment and payment rules that arise for certain refunds received within 3 months after:

- the end of the income year (or the period ending 30 June for certain late balancing corporate tax entities)
- a corporate tax entity ceases to be a franking entity.

For more information on the different lodgment and payment rules, see **A refund of income tax affecting a FDT liability**.

For **subsidiary members of a consolidated group**, where the head company has not notified us of the group's formation, each group member may still be obliged to lodge a Franking account tax return and pay any franking tax liability. This obligation exists until we receive notification of the group's formation. If the subsidiary member believes it will not have an obligation to lodge a Franking account tax return because it will be a member of a consolidated group for the full income year, it may request a deferral of time to lodge.

If the company does not subsequently form part of a consolidated group, the company will have to lodge a return and pay any franking tax amount owing. General interest charges may be applied back to the original due date.

If the company lodges a return and pays its franking tax liability on the due date, and, subsequently, the head company notifies us that the company was a subsidiary member for the full year, the subsidiary member will need to contact us to amend the return to zero and request a refund of any franking tax amount paid for this tax return.

The Commissioner may allow later lodgment and payment dates, see [Due dates](#).

## Where to lodge

Post your Franking account tax return to:

**Australian Taxation Office**  
**Locked Bag 1793**  
**PENRITH NSW 1793**

## Paying your tax debt

We offer a range of convenient payment options. For the full list of payment options, see [How to pay](#).

Your payments must reach us on or before the due date. When you use a valid **payment reference number (PRN)**, your payment may take up to 4 business days to appear on your ATO account.

**General interest charge (GIC)** will be applied to any outstanding amounts owing after the due date.

Return to: [Instructions to complete the Franking account tax return 2025](#)

QC 104317

## Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.



If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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