



Status: **legally binding**

## Class Ruling

# Whitefield Industrials Limited – bonus shares issued under Dividend Substitution Plan

### **❶ Relying on this Ruling**

This publication (excluding appendix) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

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### **What this Ruling is about**

1. This Ruling sets out the income tax consequences for shareholders of Whitefield Industrials Limited (Whitefield) who choose to receive bonus shares in lieu of dividends under the Dividend Substitution Plan (DSP) offered by Whitefield.
2. Details of this scheme are set out in paragraphs 16 to 32 of this Ruling.
3. All legislative references in this Ruling are to the *Income Tax Assessment Act 1936*, unless otherwise indicated.

### **Who this Ruling applies to**

4. This Ruling applies to you if you:
  - are eligible and choose to participate in the DSP
  - are listed on the share register of Whitefield on the Record Date for a dividend
  - are a 'resident of Australia' as defined in subsection 6(1)
  - receive fully paid ordinary shares in Whitefield in lieu of dividends under the DSP (bonus shares), and
  - hold your shares in Whitefield on capital account – that is, your Whitefield shares are neither held as 'revenue assets' (as defined in section 977-50 of the *Income Tax Assessment Act 1997* (ITAA 1997)) nor as 'trading stock' (as defined in subsection 995-1(1) of the ITAA 1997).

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5. This Ruling does not apply to you if you are subject to the taxation of financial arrangements rules in Division 230 of the ITAA 1997 in relation to the scheme outlined in paragraphs 16 to 32 of this Ruling.

Note: Division 230 of the ITAA 1997 will not apply to individuals, unless they have made an election for it to apply.

### **When this Ruling applies**

6. This Ruling applies from 1 July 2024 to 30 June 2029.

## **Ruling**

### **Bonus shares are not a dividend**

7. The value of bonus shares issued to you under the DSP is not a dividend as defined in subsection 6(1) and will not be taken to be a dividend under subsection 6BA(5).

8. If you choose to participate in the DSP and are issued with bonus shares under the DSP, and if Whitefield does not credit its share capital account in connection with the issue of those bonus shares, the value of the bonus shares will not be taken to be a dividend that is included in your assessable income under section 44 (subsections 6BA(5) and (6)).

### **Specific anti-avoidance provisions do not apply to deem an assessable dividend**

9. Section 45 will not apply in respect of the issue of bonus shares, as it is not the case that bonus shares will be received by certain shareholders while other shareholders received minimally franked dividends (as defined in subsection 45(3)).

10. The Commissioner will not make a determination under subsection 45A(2) or paragraph 45B(3)(b) that section 45C applies to the whole, or any part, of the bonus shares.

### **Acquisition date of bonus shares**

11. The bonus shares you receive under the DSP are taken to have been acquired when you acquired the Whitefield ordinary shares in relation to which Whitefield issued the bonus shares (original shares) (table items 1 and 3 of subsection 130-20(3) of the ITAA 1997).

### **Cost base of bonus shares**

12. If you acquired (or are taken to have acquired) your original shares in Whitefield on or after 20 September 1985, your bonus shares are issued for no consideration, and your bonus shares are not a dividend or taken to be a dividend, the first element of the cost base and reduced cost base of your Whitefield shares will be determined by apportioning the first element of the cost base and reduced cost base of your original shares over both the bonus shares and the original shares (table item 1 of subsection 130-20(3) of the ITAA 1997 and subsections 6BA(3) and (6)).

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13. If you acquired (or are taken to have acquired) your original shares in Whitefield before 20 September 1985, you disregard any capital gain or capital loss you make from the bonus shares (table item 3 of subsection 130-20(3) of the ITAA 1997).

#### **No franking credits in respect of the bonus shares**

14. As the bonus shares are not a dividend or taken to be a dividend, the issue of bonus shares is not a 'distribution' (as defined in table item 1 of subsection 960-120(1) of the ITAA 1997). Therefore, the bonus shares cannot be franked by Whitefield with franking credits (section 202-5 of the ITAA 1997).

#### **No deduction for a capital gain made by a listed investment company**

15. You cannot claim a deduction under section 115-280 of the ITAA 1997 for the bonus shares issued to you. This is because the bonus shares are not a dividend or taken to be a dividend.

### **Scheme**

16. The following description of the scheme is based on information provided by the applicant. If the scheme is not carried out as described, this Ruling cannot be relied upon.

17. Whitefield is a company that was incorporated in Australia on 21 March 1923.

18. Whitefield is listed on the Australian Securities Exchange (ASX). It is a 'listed public company' as defined in subsection 995-1(1) of the ITAA 1997.

19. Whitefield owns a portfolio of shares in companies listed on the ASX. It is a 'listed investment company' as defined in section 115-290 of the ITAA 1997.

20. Whitefield has paid 2 dividends a year to its shareholders since 1989. Whitefield has paid fully franked dividends since 1987.

21. Whitefield intends to continue paying fully franked dividends in the future.

22. Whitefield offers the holders of its ordinary shares a choice to receive dividends (either in money or through a dividend reinvestment plan) or to participate in the DSP during the period to which this Ruling applies.

23. Under the DSP, shareholders can choose to have some or all of their ordinary shares participate in the DSP (subject to minimum and maximum levels as determined from time to time by the directors of Whitefield). Participation in the DSP is voluntary and may be varied and terminated at any time subject to notice requirements.

24. If a shareholder chooses to participate in the DSP, they will not receive dividends in respect of the ordinary shares that they have chosen to participate in the DSP. Instead, they will be issued fully paid ordinary shares in Whitefield with a market value equivalent to the amount of the dividend foregone (rounded up or down to the nearest whole number of shares).

25. A shareholder is not required to provide consideration in order to receive bonus shares under the DSP because they will give up their entitlement to receive a dividend.

26. The relevant market value is calculated as the volume-weighted average price per share in Whitefield (as traded on the ASX) during the 5 days of trading from and including the date that the shares in Whitefield are first quoted on an ex dividend basis on the ASX

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in relation to the relevant dividend (Market Price). In addition, Whitefield may discount the Market Price by up to a maximum of 5% in accordance with its publicly announced discount policy.

27. Shareholders who do not choose to participate in the DSP (or do not choose for their entire shareholding in Whitefield to participate in the DSP) will receive a dividend.

28. Shareholders may sell any bonus shares they acquire under the DSP at any time.

29. Whitefield does not credit its share capital account in connection with the issue of bonus shares under the DSP.

30. Whitefield shareholders will only be eligible to participate in the DSP if they have a registered address in Australia or New Zealand.

31. Some shareholders in Whitefield acquired their ordinary shares before 20 September 1985.

32. No dividend paid by Whitefield on its ordinary shares will be unfranked or franked to less than 10%.

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**Commissioner of Taxation**

1 October 2025

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## Appendix – Explanation

**❶** *This Explanation is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

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### **Bonus shares are not a dividend**

33. Section 6BA provides the rules for the treatment of the issue of bonus shares.

34. Subsection 6BA(1) states that section 6BA applies if a shareholder holds shares in a company (original shares) and the company issues other shares (bonus shares) in respect of the original shares. The Whitefield ordinary shares which you owned before being issued with ordinary shares under the DSP are the original shares. The Whitefield ordinary shares issued under the DSP are the bonus shares.

35. Subsection 6BA(5) states that, subject to subsection 6BA(6), if a shareholder has a choice whether to be paid a dividend or to be issued shares and the shareholder chooses to be issued with shares:

- the dividend is taken to be credited to the shareholder
- the dividend is taken to have been paid out of profits, and
- subsections 6BA(2) and(3) apply in working out the consideration for the acquisition of the shares for the purposes of the income tax legislation.

36. The effect of subsection 6BA(5) is that the issue of shares will be treated as the payment of a dividend for income tax purposes, and will be included in the assessable income of the shareholder under section 44.

37. Subsection 6BA(6) states that subsection 6BA(5) will not apply if:

- a shareholder in a listed public company (as defined in subsection 995-1(1) of the ITAA 1997) has a choice whether to be paid a dividend (other than a minimally franked dividend within the meaning of subsection 45(3)) or to be issued shares, and the shareholder chooses to be issued with shares, and
- the company does not credit its share capital account in connection with the issue of those shares.

38. As the requirements of subsection 6BA(6) are satisfied by the DSP, the value of those bonus shares will not be taken to be a dividend that is included in your assessable income under section 44.

39. Further, the Note to subsection 6BA(6) states 'If subsection (5) does not apply because of this subsection, subsection (3) will apply'. Subsection 6BA(3) provides the rules for determining the tax treatment of the bonus shares issued in the situation where the bonus shares are issued for no consideration for tax purposes and are not taken to be a dividend.

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**Cost base of shares acquired on or after 20 September 1985**

40. If you acquired, or are taken to have acquired, your parcel of original shares on or after 20 September 1985, the first element of the cost base and reduced cost base of the bonus shares issued in respect of the original shares will be determined by apportioning the first element of the cost base and reduced cost base of the original shares in a reasonable way over both the original shares and the bonus shares (subsection 6BA(3) and table item 1 of subsection 130-20(3) of the ITAA 1997).

41. We consider it reasonable to apportion the first element of the cost base and reduced cost base of each parcel of the original shares on a pro rata basis over both the parcel of original shares and the bonus shares issued in respect of them. The result of this apportionment will be the first element of the cost base and reduced cost base of each of those Whitefield shares. For example, if you own 1,000 original shares and the first element of the cost base is \$1 each, and you are subsequently issued with 250 bonus shares in respect of those original shares, the first element of the cost base and reduced cost base of your 1,250 Whitefield shares will become \$0.80 each, being:

1,000 multiplied by \$1 divided by 1,250 equals \$0.80

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## References

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*Previous rulings and determinations:*

CR 2015/21; CR 2022/53

*Legislative references:*

- |                    |                        |
|--------------------|------------------------|
| - ITAA 1936 6(1)   | - ITAA 1936 45(3)      |
| - ITAA 1936 6BA    | - ITAA 1936 45A(2)     |
| - ITAA 1936 6BA(1) | - ITAA 1936 45B(3)(b)  |
| - ITAA 1936 6BA(2) | - ITAA 1936 45C        |
| - ITAA 1936 6BA(3) | - ITAA 1997 115-280    |
| - ITAA 1936 6BA(5) | - ITAA 1997 115-290    |
| - ITAA 1936 6BA(6) | - ITAA 1997 130-20(3)  |
| - ITAA 1936 44     | - ITAA 1997 202-5      |
| - ITAA 1936 45     | - ITAA 1997 Div 230    |
|                    | - ITAA 1997 960-120(1) |
|                    | - ITAA 1997 977-50     |
|                    | - ITAA 1997 995-1(1)   |
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ATO references

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