



Status: **legally binding**

Class Ruling

Wesfarmers Limited – return of capital

❗ Relying on this Ruling

This publication 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.

Table of Contents	Paragraph
What this Ruling is about	1
Who this Ruling applies to	4
When this Ruling applies	6
Ruling	7
Scheme	18

What this Ruling is about

1. This Ruling sets out the income tax consequences for shareholders of Wesfarmers Limited (Wesfarmers) who received the return of capital payment of \$1.10 per ordinary share on 4 December 2025 (Payment Date).
2. Details of this scheme are set out in paragraphs 18 to 38 of this Ruling.
3. All legislative references in this Ruling are to the *Income Tax Assessment Act 1997*, unless otherwise indicated.

Who this Ruling applies to

4. This Ruling applies to you if you:
 - were registered on the Wesfarmers share register at 4:00 pm (AWST) on 6 November 2025 (Record Date)
 - held your Wesfarmers shares on capital account on the Record Date – that is, you did not hold your Wesfarmers shares as ‘revenue assets’ (as defined in section 977-50) or as ‘trading stock’ (as defined in subsection 995-1(1)), and
 - received the return of capital payment of \$1.10 per Wesfarmers share on the Payment Date.
5. This Ruling does not apply to anyone who is subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* in relation to the scheme outlined in paragraphs 18 to 38 of this Ruling.

Note: Division 230 will not apply to individuals unless they have made an election for it to apply.

Status: **legally binding**

When this Ruling applies

6. This Ruling applies from 1 July 2025 to 30 June 2026.

Ruling**Return of capital is not a dividend**

7. No part of the return of capital paid to you by Wesfarmers on the Payment Date is a dividend as defined in subsection 6(1) of the *Income Tax Assessment Act 1936* (ITAA 1936). This is because the entire amount of the return of capital has been debited against an amount standing to the credit of Wesfarmers' share capital account. Therefore, no part of the return of capital is included in your assessable income as a dividend under subsection 44(1) of the ITAA 1936.

Sections 45A, 45B and 45C of the ITAA 1936 do not apply

8. The Commissioner will not make a determination under either subsection 45A(2) or paragraph 45B(3)(b) of the ITAA 1936 that section 45C of the ITAA 1936 applies to any part of the return of capital of \$1.10 per Wesfarmers share you received on the Payment Date.

Capital gains tax consequences**CGT event G1**

9. CGT event G1 happened on the Payment Date when Wesfarmers paid you the return of capital of \$1.10 for each Wesfarmers share you owned at the Record Date and continued to own at the Payment Date (section 104-135).

10. You made a capital gain when CGT event G1 happened if the return of capital of \$1.10 per Wesfarmers share you received was more than the share's cost base (subsection 104-135(3)). You cannot make a capital loss when CGT event G1 happens (Note 1 to subsection 104-135(3)).

11. If the return of capital of \$1.10 per Wesfarmers share you received was not more than the cost base of the share, the cost base and reduced cost base of each share is reduced by the amount of the return of capital (subsection 104-135(4)).

CGT event C2

12. CGT event C2 happened on the Payment Date when Wesfarmers paid you the return of capital of \$1.10 for each Wesfarmers share you did not hold on the Payment Date (section 104-25).

13. The right to receive the return of capital is retained by you and is a separate CGT asset from the Wesfarmers share you disposed of before the Payment Date.

14. You made a capital gain from CGT event C2 if the capital proceeds from the ending of your right to receive the return of capital were more than the cost base of the right (subsection 104-25(3)).

Status: **legally binding**

15. In working out the capital gain or capital loss when CGT event C2 happened:
- The capital proceeds are equal to the amount of the return of capital of \$1.10 for each share you ceased to own before the Payment Date (subsection 116-20(1)).
 - The cost base of the right does not include the cost base or reduced cost base of the Wesfarmers share that you previously owned, to the extent that it was applied in working out a capital gain or capital loss made when a capital gains tax event happened to that share, when you disposed of the share before the Payment Date. Therefore, if the cost base or reduced cost base of the share previously owned by you has been fully applied in working out a capital gain or capital loss on the share, the right to receive the return of capital will have a nil cost base. As a result, you will, in those circumstances, make a capital gain equal to the capital proceeds of \$1.10 for each of these Wesfarmers shares.

Discount capital gain

16. You can treat a capital gain made when CGT event G1 or CGT event C2 happened as a discount capital gain if you acquired your Wesfarmers shares at least 12 months before the Payment Date (subsection 115-25(1)), provided the other conditions in Subdivision 115-A are satisfied.

Foreign resident shareholders

17. If you were a foreign resident or the trustee of a foreign trust (for capital gains tax purposes, as defined in subsection 995-1(1)), you disregard any capital gain made from CGT event G1 or any capital gain or capital loss from CGT event C2 under subsection 855-10(1), provided that:

- you had not used your Wesfarmers shares at any time in carrying on a business through a permanent establishment in Australia (table item 3 of section 855-15), or
- your Wesfarmers share was not covered by subsection 104-165(3) (table item 5 of section 855-15, about individuals choosing to disregard capital gains upon ceasing to be Australian residents).

Scheme

18. 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.

Background

Wesfarmers Limited

19. Wesfarmers is an Australian-resident company listed on the Australian Securities Exchange since 1984.

Status: **legally binding**

20. Wesfarmers operates a diverse business which covers home improvement, office supplies, department stores and an industrials division with businesses in chemicals, energy and fertilisers, and industrial and safety products.
21. As at 30 June 2025, Wesfarmers' issued share capital was \$13.574 billion.
22. Wesfarmers' retained earnings for the year ended 30 June 2025 (on a stand-alone basis) was \$611 million.
23. Since 2022, Wesfarmers has disposed of several assets and received sale proceeds totalling approximately \$2 billion.
24. The assets disposed of were Wesfarmers' remaining 4.9% shareholding in Coles Group Limited, as well as Coregas Group and Wesfarmers' liquefied petroleum gas and liquefied natural gas distribution businesses.
25. Wesfarmers determined that a portion of the proceeds from the asset disposals, totalling approximately \$1.703 billion, was surplus to its capital requirements.

Return of capital payment

26. On 28 August 2025, Wesfarmers announced that it would return share capital to Wesfarmers shareholders of \$1.10 per Wesfarmers share, totalling \$1.249 billion.
27. Along with the return of capital, Wesfarmers announced it would also return \$0.40 per Wesfarmers share in the form of a fully franked special dividend, totalling \$454 million.
28. The return of capital was debited to Wesfarmers' share capital account.
29. The return of capital was an equal reduction of capital under section 256B of the *Corporations Act 2001* and required shareholder approval by ordinary resolution under section 256C of the *Corporations Act 2001*.
30. At the annual general meeting held on 30 October 2025, Wesfarmers shareholders approved the return of capital.
31. The return of capital, along with the special dividend, was paid to each holder of a Wesfarmers share registered on the Wesfarmers share register on the Record Date.
32. The return of capital was funded by a combination of Wesfarmers' available cash balances and existing debt facilities.

Other matters

33. Wesfarmers has paid franked dividends to its shareholders to the maximum extent based on available profits.
34. The return of capital will not impact Wesfarmers' future dividend policy or dividend payout ratio, which Wesfarmers intends will remain unchanged. Wesfarmers expects that dividends will continue to be paid in the future on a regular and sustainable basis in line with its dividend policy.
35. Wesfarmers' share capital account (as defined in section 975-300) is not tainted (within the meaning of Division 197).
36. A maximum of approximately 9.77% of Wesfarmers shares are pre-capital gains tax assets.
37. As at May 2025, approximately 25% of Wesfarmers' shareholders were foreign residents (as defined in subsection 995-1(1)).

CR 2025/85

Status: **legally binding**

38. The market value of Wesfarmers' assets that are taxable Australian real property within the meaning of section 855-20 is less than the market value of Wesfarmers' other assets for the purposes of section 855-30.

Commissioner of Taxation

10 December 2025

Status: **not legally binding**

References

Legislative references:

- | | |
|---|--|
| <ul style="list-style-type: none"> - ITAA 1936 6(1) - ITAA 1936 44(1) - ITAA 1936 45A - ITAA 1936 45A(2) - ITAA 1936 45B - ITAA 1936 45B(3)(b) - ITAA 1936 45C - ITAA 1997 104-25 - ITAA 1997 104-25(3) - ITAA 1997 104-135 - ITAA 1997 104-135(3) - ITAA 1997 104-135(4) - ITAA 1997 104-165(3) | <ul style="list-style-type: none"> - ITAA 1997 Subdiv 115-A - ITAA 1997 115-25(1) - ITAA 1997 116-20(1) - ITAA 1997 Div 197 - ITAA 1997 Div 230 - ITAA 1997 855-10(1) - ITAA 1997 855-15 - ITAA 1997 855-20 - ITAA 1997 855-30 - ITAA 1997 975-300 - ITAA 1997 977-50 - ITAA 1997 995-1(1) - Corporations Act 2001 256B - Corporations Act 2001 256C |
|---|--|
-

ATO references

NO: 1-186RDP8K
 ISSN: 2205-5517
 BSL: PG
 ATOLaw topic: Capital gains tax ~~ CGT events ~~ CGT events C1 to C3 - end of a CGT asset
 Capital gains tax ~~ CGT events ~~ CGT events G1 to G3 – shares
 Income tax ~~ Capital management ~~ Share capital return

© **AUSTRALIAN TAXATION OFFICE FOR THE COMMONWEALTH OF AUSTRALIA**

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).