


CR 2025/80 - IMB Ltd - off-market share buy-back

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Status: **legally binding**

Class Ruling

IMB Ltd – off-market share buy-back

📌 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 of IMB Ltd's off-market share buy-back (buy-back) announced on 27 August 2025.
2. Details of this scheme are set out in paragraphs 34 to 65 of this Ruling.
3. All legislative references in this Ruling are to provisions of the *Income Tax Assessment Act 1936* or the *Income Tax Assessment Act 1997* (as detailed in the table in the Appendix to this Ruling), unless otherwise indicated.

Who this Ruling applies to

4. This Ruling applies to you if you held ordinary shares in IMB and you sold some or all of those shares (IMB shares) under the buy-back.
5. This Ruling does not apply to anyone who is subject to the taxation of financial arrangements rules in Division 230 in relation to the scheme outlined in paragraphs 34 to 65 of this Ruling.

Note: Division 230 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 2025 to 30 June 2026.

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Ruling

Off-market purchase

7. The buy-back is an off-market purchase as defined by paragraph 159GZZZK(d).

Dividend Component and franking credit

8. You are taken to have received a dividend of \$1.57 (Dividend Component) for each IMB share that you sold under the buy-back (section 159GZZZP).

9. The Dividend Component is a frankable distribution and is therefore capable of being franked (section 202-40 and section 202-5 respectively).

10. The difference between the buy-back price of \$2.74 and the Dividend Component of \$1.57 is the Capital Component of \$1.17. The Capital Component is not a dividend for income tax purposes (subsection 159GZZZP(2))

Assessability of the Dividend Component

Resident shareholders

11. If you are a resident, for each IMB share you sold in the buy-back, you include in your assessable income for the income year ended 30 June 2026:

- the Dividend Component of \$1.57 (subsection 44(1)), and
- a franking credit of \$0.67 (subsection 207-20(1) or if you are a partnership or trust, subsection 207-35(1)) provided you are a qualified person (refer to paragraphs 30 and 31 of this Ruling) in relation to the distribution for the purposes of Division 1A of former Part IIIAA.

12. You are entitled to a tax offset equal to the amount of the franking credit on the Dividend Component (subsection 207-20(2)) as long as you are a qualified person.

13. The tax offset is subject to the refundable tax offset rules in Division 67 provided you are not excluded by subsections 67-25(1A) to (1DA).

Partnerships

14. If you are a partnership who participated in the buy-back, your assessable income in the income year in which the buy-back occurred for the purposes of calculating the net income of the partnership includes (for each IMB share you sold in the buy-back):

- the Dividend Component of \$1.57 (subsection 44(1) and section 90), and
- subject to the qualified person rules (see paragraphs 30 and 31 of this Ruling), the amount of the franking credits attached to the Dividend Component (subsection 207-35(1) and section 90).

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Trusts

15. If you are the trustee of a trust who participated in the buy-back, your assessable income in the income year in which the buy-back occurred for the purposes of calculating the net income of the trust includes (for each IMB share you sold in the buy-back):

- the Dividend Component of \$1.57(subsections 44(1) and 95(1)), and
- subject to the qualified person rules (see paragraphs 30 to 31 of this Ruling), the amount of the franking credits attached to the Dividend Component (subsections 207-35(1) and 95(1)).

Non-resident shareholders

16. If you are a non-resident who carries on a business at or through a permanent establishment in Australia and the Dividend Component is attributable to the permanent establishment and is not paid to you in your capacity as trustee, you:

- include the Dividend Component in your assessable income (paragraph 44(1)(c)), and
- are not liable to withholding tax on the Dividend Component (subsection 128B(3E)).

17. If you are a non-resident and paragraph 16 of this Ruling does not apply to you, you are not liable for Australian withholding tax on the Dividend Component as it is fully franked (paragraph 128B(3)(ga)).

Sale Consideration

18. For each IMB share you sold under the buy-back, you are taken to have received or to be entitled to receive \$1.17 (Sale Consideration) on 29 October 2025 (section 159GZZZQ). You may be taken to have received a different amount of Sale Consideration if you are a corporate tax entity to which subsections 159GZZZQ(8) and (9) apply.

Capital gains tax

19. CGT event A1 happened to you on 29 October 2025 when you disposed of each of your IMB shares in the buy-back (subsection 104-10(1)).

20. The Sale Consideration of \$1.17 represents the capital proceeds per IMB share for capital gains tax purposes (Note 3 following subsection 116-20(1)). You may be taken to have received a different amount of Sale Consideration if you are a corporate tax entity to which subsections 159GZZZQ(8) and (9) apply.

21. If you did not hold your IMB shares through a partnership, you made a:

- capital gain on each IMB share where the Sale Consideration is more than the share's cost base (subsection 104-10(4)) – the capital gain is the amount of the difference
- capital loss on each IMB share where the Sale Consideration is less than the share's reduced cost base (subsection 104-10(4)) – the capital loss is the amount of the difference.

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22. Where you made a capital gain, you can treat the capital gain as a discount capital gain if you acquired your IMB shares on or before 29 October 2024 and the other conditions of Subdivision 115-A are met.

23. If you held your IMB shares through a partnership, any capital gain or capital loss will be made by the partners individually (subsection 106-5(1)). Each partner in a partnership has a separate cost base and reduced cost base for the partner's interest in each IMB share sold in the buy-back by the partnership (subsection 106-5(2)).

Shares held as trading stock

24. If you held your IMB shares as 'trading stock' (as defined in subsection 995-1(1)) at the time of the buy-back on 29 October 2025, you:

- include the Sale Consideration per IMB share you sold in the buy-back in your assessable income (section 6-5), unless you are a corporate tax entity to which subsections 159GZZZQ(8) and (9) apply, and
- disregard any capital gain or capital loss you make (section 118-25).

Shares held as revenue assets

25. If you held your IMB shares as 'revenue assets' (as defined in section 977-50), but not as trading stock, you:

- include the amount by which the Sale Consideration exceeds the cost of each IMB share in your assessable income (section 6-5), or
- are entitled to an allowable deduction for the amount by which the cost of each IMB share exceeds the Sale Consideration (section 8-1).

26. If you made a capital gain in respect of the IMB shares you held on revenue account but not as trading stock, the capital gain is reduced by the amount that you included in your assessable income (section 118-20). If you made a capital loss, you reduce the reduced cost base by the amount of the allowable deduction (subsection 110-55(9)).

Non-resident shareholders – CGT consequences

27. If you were a non-resident shareholder when you sold your IMB shares under the buy-back, you will only have CGT consequences if the shares you sold were 'taxable Australian property' (section 855-10), in which case the consequences as described in paragraphs 18 to 23 of this Ruling will apply to you (subject to paragraph 29 of this Ruling).

28. The share will be taxable Australian property if:

- you have used it at any time in carrying on a business through a permanent establishment in Australia (table item 3 of section 855-15), or
- the share is covered by subsection 104-165(3) (about choosing to disregard a capital gain or capital loss on ceasing to be an Australian).

29. A capital gain or capital loss you made from the sale of the IMB share may be proportionately reduced if you used the share in carrying on a business through a permanent establishment for only part of the period from when you acquired the share until CGT event A1 happened because of the sale (section 855-35).

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Qualified persons

30. You will be a qualified person in relation to the Dividend Component if:
- You acquired the IMB shares on or before 2 September 2025.
 - During the period when you held the IMB shares, you had sufficient risks of loss or opportunities for gain in respect of the shares (as defined in former section 160APHM) for a continuous period of 45 days. Neither the announcement of the buy-back, the making of an invitation to you to offer to sell IMB shares nor the making of an offer by you to IMB in respect of a share affects whether you held the IMB shares at risk for the purposes of Division 1A of former Part IIIAA (paragraph 207-145(1)(a) which refers to Division 1A of former Part IIIAA).
 - You have not made nor are required to make a related payment for the purposes of subsection 160APHN of Division 1A of former Part IIIAA.
31. The last-in first-out rule in former subsection 160APHI(4) has no effect for the buy-back in respect of any additional IMB shares you acquired after 2 September 2025 which did not confer an entitlement to participate in the buy-back.

The anti-avoidance provisions

32. The Commissioner will not make a determination under subsections 45A(2) or 45B(3) that section 45C applies to the whole, or any part, of the Capital Component you received.
33. The Commissioner will not make a determination under paragraph 204-30(3)(c) or paragraph 177EA(5)(b) to deny the whole, or any part, of the imputation benefits you received in relation to the Dividend Component.

Scheme

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

Background

Corporate structure

35. IMB is a resident unlisted public company limited by ordinary shares and guarantee.
36. IMB is a mutual authorised deposit-taking institution.
37. IMB is regulated by the Australian Prudential Regulation Authority and the Australian Securities and Investment Commission.
38. IMB trades under the business name 'IMB Bank' following approval from Australian Prudential Regulation Authority to change from a building society to a mutual bank. The change to a mutual bank had no impact on IMB's ownership model, capital structure, balance sheet and capital management program.
39. IMB's assets are largely Australian cash and loan receivables.

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IMB Members

40. The Members of IMB consist of:

- Guarantee Members – these are IMB’s depositor and borrower members who are members by way of guarantee alone, and
- Shareholder Members – these are members who hold both ordinary shares in IMB and are Guarantee Members.

A person or entity cannot become a member of IMB solely through shareholding.

41. A person may become a Member of IMB by completing and lodging an application with IMB. Following approval, the person becomes a Member of IMB when their name is entered in the Register of Members.

42. As at 30 June 2025, IMB had approximately

- 227,000 Guarantee Members, and
- 2,691 Shareholder Members, of which 2,600 were eligible to vote (as they each held at least 100 ordinary shares in IMB, being the requisite eligibility criteria).

43. The Shareholder Members are a mix of resident individuals, companies, nominee companies, trusts and superannuation funds, and a small number of non-residents.

44. A Shareholder Member is permitted to hold a maximum of 5% of IMB shares. Any excess is forfeited to IMB and the Shareholder Member is appropriately compensated.

45. All IMB shares were acquired after 20 September 1985.

46. IMB disclosed in its 2025 Annual Report that, as at 30 June 2025, it had 24,110,261 fully paid ordinary shares on issue, and had:

- share capital of \$28,324,000
- retained earnings of \$449,684,000
- reserves of \$77,823,000.

Share trading

47. IMB operates a trading facility for its shares under *Australian Market Licence (IMB Ltd) 2005* and *Australian CS Facility Licence (IMB Ltd) 2005* in accordance with the *Corporations Act 2001*. IMB manually matches buyers and sellers at mutually accepted prices.

48. In holding the licenses mentioned in paragraph 47 of this Ruling, IMB is subject to disclosure obligations, including a requirement to disclose price sensitive information. IMB publishes weekly trading volumes and prices for IMB shares on its website.

49. Approximately 5.6% of all IMB shares were traded during the 12 months to 30 September 2025.

The buy-back

50. IMB announced on 27 August 2025 that it would undertake the buy-back of up to a maximum of \$7.5 million worth of IMB shares through a tender process.

51. IMB has already completed 6 off-market buy-backs since 2012.

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52. On 25 August 2025, the Australian Securities and Investment Commission granted IMB relief to treat the buy-back as an equal access share buy-back in accordance with Division 2 of Part 2J.1 of the *Corporations Act 2001*.

53. Table 1 of this Ruling outlines the important dates of the buy-back:

Table 1: Key dates of the buy-back

Event	Date
Announcement date	27 August 2025
Record date	2 September 2025
Ex entitlement date	3 September 2025
Opening date	16 September 2025
Closing date	17 October 2025
Buy-back date	29 October 2025
Payment date	30 October 2025

54. The tender period for the buy-back commenced on 16 September 2025 and closed on 17 October 2025. During the tender period, eligible Shareholder Members were invited to lodge, withdraw or amend their tenders.

55. All eligible Shareholder Members (except those with Excluded Foreign Shareholding as defined in the IMB Bank Off-Market Buyback Booklet) whose names were on IMB's share register as at close of business 2 September 2025, the Record Date could tender their IMB shares. IMB shares acquired after 2 September 2025, (that is, acquired on or after 3 September 2025 – the ex entitlement date) did not confer an entitlement to participate in the buy-back.

56. Participation in the buy-back was voluntary and eligible shareholders who did not wish to participate were not required to take any action and did not receive any property, dividends or distributions as compensation.

57. Shareholder Members were invited to submit offers to sell some or all of their IMB shares at a tender discount between 0% to 5%, inclusive – the Tender Discount Range – and at intervals of 1%, or as a final price tender. The tender discount was applied to the market value of an IMB share (which was worked out as set out in IMB's second undertaking in paragraph 61 of this Ruling). The discount for the buy-back was selected by IMB as 0%.

58. Shareholder Members that held 250 IMB shares or less who wished to participate in the buy-back were required to tender all of their IMB shares at a single tender discount or as a final price tender.

59. For each IMB share that IMB purchased under the buy-back, IMB debited \$1.17 of the buy-back price to its share capital account and the balance of the buy-back price to its retained earnings. The Dividend Component was fully franked.

60. IMB was entitled to use a scale-back mechanism in circumstances such as where more IMB shares were tendered than IMB planned to purchase in the buy-back. The scale back would not apply to:

- parcels of 250 or less IMB shares which were to be purchased in full under the buy-back, and

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- eligible Shareholder Members who would hold less than 100 IMB shares after they tendered all their shares.
61. IMB made the following undertakings in respect of the buy-back:
- IMB would not purchase IMB shares under the buy-back at a discount greater than 14% to the volume-weighted average price of the shares over the 5 trading days up to and including the closing date of 17 October 2025.
 - The buy-back price per IMB share would not exceed the market value of an IMB share worked out in accordance with Taxation Determination TD 2004/22 *Income tax: for Off-Market Share Buy-Backs of listed shares, whether the buy-back price is set by tender process or not, what is the market value of the share for the purposes of subsection 159GZZZQ(2) of the Income Tax Assessment Act 1936.*
 - The formula used in determining the market value in TD 2004/22 was modified for the buy-back using a volume-weighted average price based on the 10 days on which shares were traded prior to the announcement of the buy-back on 27 August 2025 rather than on 5 days.
62. On 29 October 2025, the Buy-back date, IMB announced that:
- it had successfully completed the purchase of approximately 2.74 million IMB shares under the buy-back, representing approximately 11.35% of the issued capital of IMB (representing 6.32% of votes)
 - the buy-back price was \$2.74 per IMB share
 - the total purchase price of IMB shares purchased under the buy-back was approximately \$7.5 million, and
 - a scale-back mechanism was applied only to shares tendered at 0% discount.
63. IMB cancelled all of the IMB shares it purchased under the buy-back.
64. IMB's 'share capital account' (as defined in section 975-300) was not tainted for the purposes of section 197-50.
65. The market value of IMB's assets that are taxable Australian real property do not exceed the sum of the market value of IMB's other assets for the purposes of section 855-30.

Commissioner of Taxation

26 November 2025

Status: **not legally binding**

Appendix – Legislative provisions

66. This paragraph sets out the details of the provisions of the *Income Tax Assessment Act 1936* or *Income Tax Assessment Act 1997* ruled upon or referenced in this Ruling.

Table 2: Provisions of the *Income Tax Assessment Act 1936* and *Income Tax Assessment Act 1997* ruled upon or referenced in this Ruling

<i>Income Tax Assessment Act 1936</i>	subsection 44(1)
<i>Income Tax Assessment Act 1936</i>	paragraph 44(1)(c)
<i>Income Tax Assessment Act 1936</i>	subsection 45A(2)
<i>Income Tax Assessment Act 1936</i>	subsection 45B(3)
<i>Income Tax Assessment Act 1936</i>	section 45C
<i>Income Tax Assessment Act 1936</i>	section 90
<i>Income Tax Assessment Act 1936</i>	subsection 95(1)
<i>Income Tax Assessment Act 1936</i>	paragraph 128B(3)(ga)
<i>Income Tax Assessment Act 1936</i>	subsection 128B(3E)
<i>Income Tax Assessment Act 1936</i>	paragraph 159GZZZK(d)
<i>Income Tax Assessment Act 1936</i>	section 159GZZZP
<i>Income Tax Assessment Act 1936</i>	subsection 159GZZZP(2)
<i>Income Tax Assessment Act 1936</i>	section 159GZZZQ
<i>Income Tax Assessment Act 1936</i>	subsection 159GZZZQ(8)
<i>Income Tax Assessment Act 1936</i>	subsection 159GZZZQ(9)
<i>Income Tax Assessment Act 1936</i>	former section 160APHM
<i>Income Tax Assessment Act 1936</i>	former subsection 160APHN
<i>Income Tax Assessment Act 1936</i>	former subsection 160APHI(4)
<i>Income Tax Assessment Act 1936</i>	paragraph 177EA(5)(b)
<i>Income Tax Assessment Act 1936</i>	Division 1A of former Part IIIAA
<i>Income Tax Assessment Act 1997</i>	section 6-5
<i>Income Tax Assessment Act 1997</i>	section 8-1
<i>Income Tax Assessment Act 1997</i>	Division 67
<i>Income Tax Assessment Act 1997</i>	subsection 67-25(1A)
<i>Income Tax Assessment Act 1997</i>	subsection 67-25(1B)
<i>Income Tax Assessment Act 1997</i>	subsection 67-25(1C)
<i>Income Tax Assessment Act 1997</i>	subsection 67-25(1D)
<i>Income Tax Assessment Act 1997</i>	subsection 67-25(1DA)
<i>Income Tax Assessment Act 1997</i>	subsection 104-10(1)
<i>Income Tax Assessment Act 1997</i>	subsection 104-10(4)
<i>Income Tax Assessment Act 1997</i>	subsection 104-165(3)
<i>Income Tax Assessment Act 1997</i>	subsection 106-5(1)
<i>Income Tax Assessment Act 1997</i>	subsection 106-5(2)
<i>Income Tax Assessment Act 1997</i>	subsection 110-55(9)
<i>Income Tax Assessment Act 1997</i>	Subdivision 115-A
<i>Income Tax Assessment Act 1997</i>	subsection 116-20(1)
<i>Income Tax Assessment Act 1997</i>	section 118-20
<i>Income Tax Assessment Act 1997</i>	section 118-25
<i>Income Tax Assessment Act 1997</i>	section 197-50
<i>Income Tax Assessment Act 1997</i>	section 202-5
<i>Income Tax Assessment Act 1997</i>	section 202-40

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<i>Income Tax Assessment Act 1997</i>	paragraph 204-30(3)(c)
<i>Income Tax Assessment Act 1997</i>	subsection 207-20(1)
<i>Income Tax Assessment Act 1997</i>	subsection 207-20(2)
<i>Income Tax Assessment Act 1997</i>	subsection 207-35(1)
<i>Income Tax Assessment Act 1997</i>	paragraph 207-145(1)(a)
<i>Income Tax Assessment Act 1997</i>	Division 230
<i>Income Tax Assessment Act 1997</i>	section 855-10
<i>Income Tax Assessment Act 1997</i>	section 855-15
<i>Income Tax Assessment Act 1997</i>	section 855-30
<i>Income Tax Assessment Act 1997</i>	section 855-35
<i>Income Tax Assessment Act 1997</i>	section 975-300
<i>Income Tax Assessment Act 1997</i>	section 977-50
<i>Income Tax Assessment Act 1997</i>	subsection 995-1(1)

Status: **not legally binding**

References

Related rulings and determinations:

TD 2004/22; TR 2006/10

- Corporations Act 2001 Pt 2J.1 Div 2

Other references:

- PS LA 2007/9

Legislative references:

- Corporations Act 2001

ATO references

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