


# ***CR 2025/9 - Bravura Solutions Limited - return of capital***

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Status: **legally binding**

## Class Ruling

# Bravura Solutions 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.

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

1. This Ruling sets out the income tax consequences for shareholders of Bravura Solutions Limited (Bravura) who received the return of share capital payment of \$0.163 per Bravura ordinary share (Return of Capital) on 30 January 2025 (Payment Date).
2. Details of this scheme are set out in paragraphs 18 to 30 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:
  - received the Return of Capital on the Payment Date, and
  - held your Bravura shares on capital account – that is, you did not hold your Bravura shares as trading stock (as defined in subsection 995-1(1)) or as revenue assets (as defined in section 977-50).
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 18 to 30 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 2024 to 30 June 2025.

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## **Ruling**

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

7. No part of the Return of Capital paid to you by Bravura 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 Bravura's 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 that section 45C of the ITAA 1936 applies to any part of the Return of Capital you received on the Payment Date, under either:

- subsection 45A(2) of the ITAA 1936 – because there was no streaming of capital benefits to some Bravura shareholders and dividends to other Bravura shareholders as required by subsection 45A(1) of the ITAA 1936, or
- paragraph 45B(3)(b) of the ITAA 1936 – because the requirements of subsection 45B(2) of the ITAA 1936 were not satisfied.

### **Capital gains tax consequences**

#### **CGT event G1**

9. CGT event G1 happened on the Payment Date when Bravura paid you the Return of Capital for each share you continued to own on the Payment Date (section 104-135).

10. You made a capital gain when CGT event G1 happened if the Return of Capital per Bravura 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 per Bravura share you received was equal to or less than the share's cost base, 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 Bravura paid you the Return of Capital for each Bravura 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 Bravura 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)).

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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 for each share you ceased to own before the Payment Date (\$0.163 per Bravura share) (subsection 116-20(1)).
  - The cost base of the right does not include the cost base or reduced cost base of the Bravura share that you previously owned, to the extent that it was applied in working out a capital gain or capital loss made when a CGT 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, being \$0.163 for each of these Bravura 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 Bravura share 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 are able to disregard any capital gain or capital loss***

17. If you were a foreign resident or the trustee of a foreign trust (for CGT 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 did not use your Bravura shares at any time in carrying on a business through a permanent establishment in Australia (table item 3 of section 855-15), or
- your Bravura share was not covered by subsection 104-165(3) about individuals who defer capital gains on ceasing to be Australian residents (table item 5 of section 855-15).

## **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.

19. Bravura is a provider of software and software as a service to the wealth management and funds administration industries. Bravura derives revenue through long-term client contracts to provide software and software as a service to its clients.

20. Bravura has been listed on the Australian Securities Exchange since its initial public offering in November 2016 and operates in Australia and through several overseas subsidiaries. Bravura is the head company of an Australian tax consolidated group and the consolidated entity for accounting purposes.

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21. As at 30 June 2024, Bravura had issued share capital of \$432.9 million, accumulated losses of \$313.1 million, and a 2023–24 financial year profit of \$8.8 million.
22. As at the Record Date (22 January 2025), Bravura had 448,299,975 ordinary shares on issue.
23. Less than 50% of the market value of Bravura’s assets were ‘taxable Australian real property’ (as defined in section 855-20).

### **Return of capital**

24. There was a capital raising in March 2023 the net proceeds of which were \$75.3 million. The purpose of the raising was to provide balance sheet flexibility, working capital and to support investment in the Organisational Change Program.
25. During the 2023–24 financial year, Bravura’s new management considered that it was overcapitalised. Specifically, since the first quarter of 2023–24 financial year, Bravura has considered its capital management strategy to return this capital to shareholders.
26. Following announcements to the Australian Securities Exchange in February and August 2024 regarding its capital management, on 1 October 2024, Bravura made an announcement advising of its intention to seek shareholder approval for a return of capital of up to \$73.2 million (approximately \$0.163 per Bravura share) in its upcoming Annual General Meeting.
27. The return of capital, being an equal capital reduction under section 256B of the *Corporations Act 2001*, was approved by Bravura shareholders at its Annual General Meeting held on 30 October 2024.
28. Each holder of a Bravura share, as registered on the Bravura share register on the Record Date, received \$0.163 for each share, on the Payment Date.
29. The entire return of capital was debited to Bravura’s share capital account.

### **Other matters**

30. Bravura’s share capital account (as defined by section 975-300) is not tainted within the meaning of Division 197.

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**Commissioner of Taxation**

12 February 2025

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Status: **not legally binding**

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## References

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### *Legislative references:*

- ITAA 1936 6(1)
  - ITAA 1936 44(1)
  - ITAA 1936 45A
  - ITAA 1936 45A(1)
  - ITAA 1936 45A(2)
  - ITAA 1936 45B
  - ITAA 1936 45B(2)
  - 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)
  - ITAA1997 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 975-300
  - ITAA 1997 977-50
  - ITAA 1997 995-1(1)
  - Corporations Act 2001 256B
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### ATO references

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