

CR 2026/20 - Leo Lithium Limited - return of capital and special dividend

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Status: **legally binding**

Class Ruling

Leo Lithium Limited – return of capital and special dividend

❶ 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 of the distribution of \$0.0332 per share (Distribution) to Leo Lithium Limited (Leo Lithium) shareholders on 13 February 2026 (Payment Date), which comprised a special dividend of \$0.0067 per share (Dividend) and a capital return of \$0.0265 per share (Capital Return).
2. Details of this scheme are set out in paragraphs 45 to 67 of this Ruling.
3. All legislative references in this Ruling are to the *Income Tax Assessment Act 1997*, unless otherwise indicated.
4. The references to monetary values contained in this Ruling are expressed in Australian dollars, unless otherwise indicated.

Who this Ruling applies to

5. This Ruling applies to you if you:
 - held Leo Lithium shares on 4 February 2026 (Record Date) and received the Distribution on the Payment Date, and
 - held your Leo Lithium shares on capital account – that is, you did not hold your Leo Lithium shares as ‘revenue assets’ (as defined in section 977-50) or as ‘trading stock’ (as defined in subsection 995-1(1)).
6. 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 45 to 67 of this Ruling.

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

When this Ruling applies

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

Ruling

Dividend

8. The Dividend is a:
- 'dividend' as defined in subsection 6(1) of the *Income Tax Assessment Act 1936* (ITAA 1936), and
 - 'frankable distribution' under section 202-40.

Assessability of the Dividend and franking credits, entitlement to tax offset and withholding tax

Resident shareholders

9. If you are a 'resident of Australia' (as defined in subsection 6(1) of the ITAA 1936), you include the Dividend in your assessable income (subparagraph 44(1)(a)(i) of the ITAA 1936).

10. You include the franking credits attached to the Dividend in your assessable income and are entitled to a tax offset equal to the amount of those credits if:

- you are an entity that is not covered by subsection 207-15(2) – that is, you
 - are not a partnership or trustee (except a partnership or trustee that is a 'corporate tax entity' as defined in section 960-115 or a trustee of a complying superannuation entity), or
 - did not receive the Dividend indirectly through a partnership or trust, and
- you are a 'qualified person' (as defined in Division 1A of former Part IIIAA of the ITAA 1936), and
- where you are an individual or a corporate tax entity, you also satisfy the residency requirements in section 207-75 (sections 207-15, 207-20, 207-70 and 207-145).

11. If you are a qualified person who received the Dividend as a trustee of a trust or as a partnership, you include the franking credits attached to the Dividend in the trust's or partnership's assessable income, provided you are neither a corporate tax entity or a trustee of a complying superannuation entity (subsection 207-35(1) and section 207-145).

12. If you are a partner in a partnership and the Dividend flows indirectly through the partnership to you, you include your share of the franking credits attached to the Dividend in your assessable income, provided both you and the partnership are each a qualified person (paragraph 207-35(4)(a) and section 207-150, and former subsection 160APHU(1)).

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of the ITAA 1936). You will be entitled to a tax offset equal to the amount of those franking credits if you are an entity listed under section 207-45.

13. If you are a beneficiary of a trust and the Dividend flows indirectly through the trust to you, you include your share of the Dividend and the franking credits attached to the Dividend in your assessable income, provided both you and the trustee of the trust are each a qualified person (paragraph 207-35(4)(b) and sections 207-37 and 207-150, and former subsection 160APHU(1) of the ITAA 1936). You will be entitled to a tax offset equal to the amount of those franking credits if you are an entity listed under section 207-45.

14. If you are a trustee of a trust and the Dividend flows indirectly through the trust to you (because you are liable to be assessed (and pay tax) under section 98, 99 or 99A of the ITAA 1936 in relation to that trust), you increase your assessable amount by your share of the Dividend and the franking credits attached to the Dividend, and you are entitled to a tax offset equal to the amount of those credits, provided you are a qualified person (subsections 207-35(5) and (6), and sections 207-45 and 207-150).

15. To the extent that the Dividend is exempt income or non-assessable non-exempt income in your hands (unless an exception in Subdivision 207-E applies to you), the relevant amount of the franking credits attached to the Dividend is not included in your assessable income and the tax offset you are entitled to will be reduced accordingly (Subdivision 207-D).

16. The tax offset is refundable (table item 40 of section 63-10), unless you are a:

- trustee of a non-complying superannuation fund or non-complying approved deposit fund (subsection 67-25(1A))
- trustee of a trust who is liable to be assessed under sections 98 or 99A of the ITAA 1936 (subsection 67-25(1B)), or
- corporate tax entity (unless you are an exempt institution that is eligible for a refund or a life insurance company that received the Dividend on the Leo Lithium shares that were not held by you on behalf of your shareholders) (subsections 67-25(1C) and 67-25(1D)).

Non-resident shareholders

Dividend attributable to a permanent establishment in Australia

17. If you are a non-resident that carries on business in Australia at or through a permanent establishment and the Dividend is attributable to that permanent establishment, you include the Dividend in your assessable income (paragraphs 44(1)(b) and (c) of the ITAA 1936) and, if you did not receive the Dividend in your capacity as a trustee, you are not liable to pay withholding tax in respect of the Dividend (subsection 128B(3E) of the ITAA 1936).

18. If you are also a qualified person, you include the amount of the franking credits attached to the Dividend in your assessable income and are entitled to a tax offset equal to the amount of those franking credits (sections 207-20 and 207-70, and subsection 207-75(2)).

19. The tax offset is not refundable (subsection 67-25(1DA)).

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Dividend not attributable to a permanent establishment in Australia

20. If you are a non-resident and the Dividend is not attributable to a permanent establishment in Australia, you do not include the Dividend in your assessable income (subparagraph 44(1)(b)(i) and section 128D of the ITAA 1936) and you are not liable to pay withholding tax in respect of the Dividend (paragraph 128B(3)(ga) of the ITAA 1936).

21. You do not include the amount of the franking credits that are attached to the Dividend in your assessable income and you are not entitled to a tax offset for those franking credits (sections 207-20 and 207-70).

Qualified persons

22. You have not made a related payment in respect of the Dividend (former section 160APHN of the ITAA 1936) and, therefore, the primary qualification period applies (former paragraph 160APHO(1)(a) of the ITAA 1936).

23. You will be a qualified person in relation to the Dividend if, during the primary qualification period, you held your Leo Lithium shares for a continuous period of at least 45 days during which you did not have 'materially diminished risks of loss or opportunities for gain' (as defined in former section 160APHM of the ITAA 1936) in respect of the shares (former paragraph 160APHO(2)(a) of the ITAA 1936).

24. The primary qualification period begins on the day after the day you acquired your Leo Lithium shares and ends 45 days after the day your Leo Lithium shares became ex dividend (former section 160APHD of the ITAA 1936).

25. Your Leo Lithium shares became ex dividend on 5 February 2026 as the Record Date (4 February 2026) was the last day on which the acquisition of Leo Lithium shares would entitle you to receive the Dividend (former subsection 160APHE(1) of the ITAA 1936). Accordingly, the primary qualification period ends on 22 March 2026.

26. If you are an individual and the total amount of franking credit tax offsets you receive in the income year does not exceed \$5,000, then you will be a qualified person in relation to the Dividend (former subsection 160APHT(1) of the ITAA 1936).

Exempting entity

27. Section 208-195 will not apply to deny the gross-up of your assessable income by the amount of the franking credits attached to the Dividend, nor to deny the tax offset to which you are otherwise entitled under Division 207, because Leo Lithium was not an 'exempting entity' (as defined in section 208-20) or a 'former exempting entity' (as defined in section 208-50) when the Dividend was paid to you.

Capital Return is not assessable income

28. The Capital Return that you received from Leo Lithium on the Payment Date is not a 'dividend' as defined in subsection 6(1) of the ITAA 1936 and you do not include it in your assessable income under subsection 44(1) of the ITAA 1936.

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Anti-avoidance and integrity provisions

Section 45B of the ITAA 1936

29. We will not make a determination under subsection 45B(3) of the ITAA 1936 that section 45C of the ITAA 1936 applies to the whole, or any part, of the Capital Return you received from Leo Lithium on the Payment Date.

Section 177EA of the ITAA 1936

30. We will not make a determination under paragraph 177EA(5)(b) of the ITAA 1936 to deny the whole, or any part, of the imputation benefit received in relation to the Dividend.

Section 204-30

31. We will not make a determination under paragraph 204-30(3)(c) to deny the whole, or any part, of the imputation benefit received in relation to the Dividend.

Dividend stripping operation, distribution washing, foreign income tax deduction

32. Paragraphs 207-145(1)(d) (about dividend stripping operation) and 207-145(1)(da) (about distribution washing) will not apply to deny the gross-up of your assessable income by the amount of the franking credits attached to the Dividend, nor to deny the tax offset to which you are otherwise entitled under Division 207.

33. If you are entitled to a 'foreign income tax deduction' (as defined in section 832-120) in relation to the Dividend, you do not include the amount of the franking credits attached to the Dividend in your assessable income and you are not entitled to a tax offset under Division 207 (paragraphs 207-145(1)(db), (e) and (f)).

Capital gains tax consequences

CGT event G1

34. CGT event G1 happened on the Payment Date when you received the Capital Return for each Leo Lithium share you owned at the Record Date and continued to own at the Payment Date (section 104-135).

35. You made a capital gain from CGT event G1 happening if the Capital Return per Leo Lithium share was more than the share's cost base (subsection 104-135(3)). The capital gain is the difference and you reduce both the cost base and reduced cost base of your Leo Lithium share to nil.

36. If the Capital Return per Leo Lithium share was not more than the share's cost base, you reduce the cost base and reduced cost base of the share (but not below nil) by the amount of the Capital Return (subsection 104-135(4)).

37. You cannot make a capital loss from CGT event G1 (Note 1 to subsection 104-135(3)).

CGT event C2

38. CGT event C2 happened on the Payment Date when you received the Capital Return for each Leo Lithium share you owned at the Record Date but ceased to own

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before the Payment Date (section 104-25), given that the right to receive the Capital Return is a separate CGT asset from the Leo Lithium share you disposed of.

39. You made a capital gain from CGT event C2 if the capital proceeds from the ending of your right to receive the Capital Return were more than the cost base of the right and you made a capital loss if the capital proceeds were less than the reduced cost base of the right (subsection 104-25(3)).

40. In working out the capital gain or capital loss, the capital proceeds are equal to the amount of the Capital Return (being, \$0.0265 per Leo Lithium share) (subsection 116-20(1)).

41. The cost base of your right to receive the Capital Return does not include the cost base or reduced cost base of the Leo Lithium share that you disposed of, to the extent that it was applied in working out your capital gain or capital loss when you disposed of the share (Division 110, as modified by Division 112). If the cost base or reduced cost base of your share had been fully applied in working out the capital gain or capital loss on its disposal, your right will have a nil cost base and you will have made a capital gain of \$0.0265 per Leo Lithium share that you owned on the Record Date but disposed of before the Payment Date.

Discount capital gain

42. 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 Leo Lithium shares at least 12 months before the Payment Date (subsection 115-25(1)) and the other conditions in Subdivision 115-A are satisfied.

Foreign resident shareholders

43. Your Leo Lithium shares were not 'indirect Australian real property interests' (as defined in section 855-25) on the Payment Date.

44. If you were a 'foreign resident' or the trustee of a 'foreign trust for CGT purposes' (as defined in subsection 995-1(1)) immediately before the Payment Date, you disregard any capital gain made from CGT event G1 or any capital gain or capital loss made from CGT event C2 under subsection 855-10(1), provided your Leo Lithium shares (or, if CGT event C2 happened, your right to receive the Capital Return):

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

Scheme

45. 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.

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Background

46. Leo Lithium is a company that was incorporated in Australia in 2019 and is an Australian resident for tax purposes.
47. Leo Lithium's ordinary shares were listed on the Australian Securities Exchange until 22 September 2025, when it was delisted.
48. Leo Lithium and GFL International Co., Ltd (Ganfeng) (an unrelated company) were in a joint venture to develop and operate the Goulamina Lithium Project (Goulamina), an undeveloped deposit of lithium resources located in Mali.
49. The joint venture was conducted through Mali Lithium BV (MLBV), a company incorporated in The Netherlands.
50. On 7 May 2024, as part of a settlement of a dispute with the government of Mali, Leo Lithium entered into a binding share sale agreement with Ganfeng to sell its interest in MLBV for a total consideration of US\$342.7 million.
51. Leo Lithium received the consideration from the share sale agreement in 3 instalments:
- a US\$10.5 million non-refundable deposit was received on 17 May 2024
 - a US\$161 million instalment, of which US\$116.3 million (after the deduction of taxes) was received on 26 November 2024 (Tranche 1 Consideration), and
 - a final payment of US\$177.6 million (which included US\$6.4 million of interest) was received on 3 July 2025 (Tranche 2 Consideration).
52. Following the sale of its interest in MLBV, Leo Lithium's assets comprised only of cash and a trailing product sales fee right which entitled it to receive from Ganfeng (via an affiliate) 1.5% of the gross revenue from the sale of up to 500,000 tonnes of spodumene concentrate per annum from Goulamina for a term of 20 years (TPSF).
53. On 22 December 2025, Leo Lithium entered into a binding agreement with Lithium Royalty Corp. to sell the TPSF for \$40 million. The consideration from the sale was received on 31 December 2025. Leo Lithium had no assets, other than cash, following the sale.

Capital management and structure

54. Leo Lithium raised capital of \$96.7 million (after issue costs) during its initial public offering in 2022, of which \$33.7 million was spent on Goulamina. The funds that had not been spent in relation to Goulamina were intended to fund future investments but were ultimately retained.
55. On and immediately before the Payment Date, Leo Lithium had:
- 1,204,827,813 ordinary shares on issue (the only class of shares on issue)
 - approximately 2.70% of its issued shares held by foreign residents
 - retained earnings of \$8,510,000
 - \$3,459,552 in franking credits, and
 - issued share capital of \$31,949,098.
56. On 31 January 2025, Leo Lithium paid \$207,154,518 to its shareholders, which consisted of a \$189,931,788 dividend and a \$17,222,730 capital return. The payment was

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funded by the US\$10.5 million non-refundable deposit, the net proceeds from the Tranche 1 Consideration and \$11.5 million that was received from Firefinch Limited in connection with the settlement with the government of Mali. The income tax consequences of this distribution are set out in Class Ruling CR 2025/17 *Leo Lithium Limited – return of capital and special dividend*.

57. On 14 October 2025, Leo Lithium paid \$265,062,119 to its shareholders, which consisted of a \$4.8 million franked dividend and a \$260.2 million unfranked dividend. The payment was funded by the Tranche 2 Consideration.

58. On 11 November 2025, Leo Lithium paid \$65,060,702 to its shareholders, which consisted of a \$8,433,802 dividend and a \$56,626,915 capital return. The payment was funded by the remaining funds from the Tranche 2 Consideration and Leo Lithium's existing cash reserves at the time (which was mostly attributable to funds that were retained from its initial public offering). The income tax consequences of this distribution are set out in Class Ruling CR 2025/92 *Leo Lithium Limited – return of capital and special dividend*.

Distribution

59. On 20 January 2026, Leo Lithium announced that it would distribute all net proceeds from the sale of the TPSF to its shareholders, together with its existing cash reserves. A nominal amount of cash (approximately \$195,000) would be retained for the company's liquidation.

60. On 11 February 2026, at a general meeting, Leo Lithium's shareholders approved the distribution of up to \$40 million.

61. On the Payment Date, Leo Lithium made the Distribution of a total amount of \$40 million, which equated to \$0.0332 per Leo Lithium share, comprising the:

- Dividend totalling \$8,050,902, or \$0.0067 per share, and
- Capital Return totalling \$31,949,098, or \$0.0265 per share.

62. The Dividend was fully franked and debited against Leo Lithium's retained earnings account, which is not a 'share capital account' (as defined in section 975-300).

63. The Capital Return was debited against Leo Lithium's contributed equity account, which is a 'share capital account' (as defined in section 975-300).

Other matters

64. On the Payment Date, Leo Lithium was not a 'former exempting entity' (as defined in section 208-50) as it had never been an 'exempting entity' (as defined in section 208-20) before that date.

65. Leo Lithium's contributed equity account was not 'tainted' (within the meaning of Division 197) as at the Payment Date.

66. On and immediately before the Payment Date, the sum of the market values of Leo Lithium's assets that were 'taxable Australian real property' (as defined in section 855-20) did not exceed the sum of the market values of its other assets for the purposes of section 855-30.

67. After the Payment Date, Leo Lithium will not be issuing any equity interests and will appoint liquidators to wind up the company.

CR 2026/20

Status: **legally binding**

Commissioner of Taxation

13 May 2026

Status: **not legally binding**

References

Legislative references:

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 - ITAA 1936 44(1)(b)
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 Capital gains tax ~~ CGT events ~~ G1 to G3 - shares

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