CR 2026/49 - WAM Capital Limited - bonus shares issued under Dividend Substitution Share Plan

Status: **legally binding**

Class Ruling

WAM Capital Limited – bonus shares issued under Dividend Substitution Share Plan

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 WAM Capital Limited (WAM Capital) who choose to receive bonus shares in lieu of dividends under the Dividend Substitution Share Plan (DSSP) offered by WAM Capital.

2. Details of this scheme are set out in paragraphs 16 to 33 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 DSSP
- are listed on the share register of WAM Capital on the record date for a dividend
- are a ‘resident of Australia’ as defined in subsection 6(1)
- receive fully paid ordinary shares in WAM Capital in lieu of dividends under the DSSP (bonus shares), and
- hold your shares in WAM Capital on capital account – that is, your WAM Capital 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).

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 33 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 2026 to 30 June 2031.

Ruling

Bonus shares are not dividends

7. The bonus shares issued to you under the DSSP are not dividends as defined in subsection 6(1) and will not be taken to be dividends under subsection 6BA(5).

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

Specific anti-avoidance provisions do not apply to deem assessable dividends

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 DSSP are taken to have been acquired when you acquired the WAM Capital ordinary shares in relation to which WAM Capital issued the bonus shares (original shares) (table item 1 of subsection 130-20(3) of the ITAA 1997).

Cost bases and reduced cost bases of bonus shares

12. The first element of the cost bases and reduced cost bases of your WAM Capital shares will be determined by apportioning the first element of the cost bases and reduced cost bases 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)).

13. The Commissioner considers 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 WAM Capital shares.

No franking credits in respect of the bonus shares

14. As the bonus shares are not dividends or taken to be dividends, 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 WAM Capital with franking credits (section 202-5 of the ITAA 1997).

No deduction for a capital gain made

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 dividends or taken to be dividends.

Scheme

16. This 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. WAM Capital is a company that was incorporated in Australia on 8 March 1999.

18. WAM Capital 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. WAM Capital 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. WAM Capital paid one to 3 dividends a year from 2000 to 2009 and has paid 2 dividends a year since 2010. WAM Capital has paid either fully franked or partially franked dividends since 2000 and no dividends have been franked at a rate less than 10%.

21. WAM Capital aims to pay 2 dividends per year to its shareholders in the future, and it is intended that those dividends will be either fully franked or franked to the maximum extent possible.

22. WAM Capital has not undertaken any returns of capital to its shareholders.

23. WAM Capital offers the shareholders of its ordinary shares a choice to receive dividends (either in money or through a dividend reinvestment plan) or to participate in the DSSP during the period to which this Ruling applies.

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

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

26. The participating shareholders are not required to provide consideration in order to receive bonus shares under the DSSP because they will give up their entitlement to receive a dividend.

27. No amount will be credited by WAM Capital to any of its participating shareholders in their capacity as shareholders when WAM Capital issues the bonus shares. No liability

owed by a participating shareholder to WAM Capital will be reduced, nor will a new liability owed by WAM Capital to the participating shareholder come into existence, as a result of issuing bonus shares under the DSSP.

28. The relevant market value of the bonus shares is calculated as the volume-weighted average price per share in WAM Capital (as traded on the ASX) during the 4 days of trading from and including the date that the shares in WAM Capital are first quoted on an ex dividend basis on the ASX in relation to the relevant dividend, less any discount determined by the directors of WAM Capital (at their discretion).

29. Shareholders who do not choose to participate in the DSSP (or do not choose for their entire shareholding in WAM Capital to participate in the DSSP) will receive a dividend.

30. Participating shareholders may sell any bonus shares they acquire under the DSSP at any time.

31. WAM Capital will not credit or debit its share capital account in connection with the issue of bonus shares under the DSSP.

32. WAM Capital shareholders will only be eligible to participate in the DSSP if they have registered addresses in Australia or New Zealand.

33. No dividend paid by WAM Capital on its ordinary shares will be unfranked or franked to less than 10%.

Commissioner of Taxation
12 August 2026

Status: **not legally binding**

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 taken to be dividends under section 6BA

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

35. 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 WAM Capital ordinary shares which you owned before being issued with ordinary shares under the DSSP are the original shares. The WAM Capital ordinary shares issued under the DSSP are the bonus shares.

36. 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.

37. 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 under section 44.

38. However, 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.

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

40. 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.

Cost bases and reduced cost bases of bonus shares

41. The first element of the cost bases and reduced cost bases of the bonus shares issued in respect of the original shares will be determined by apportioning the first element of the cost bases and reduced cost bases 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).

42. 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 WAM Capital shares.

Example

43. *You own 1,500 original shares and are subsequently issued with 375 bonus shares where:*

- *500 of the original shares were acquired on 1 July 2024, with the first element of cost base and reduced cost base being $1 per share, and*
- *1,000 of the original shares were acquired on 1 July 2025, with the first element of cost base and reduced cost base being $1.50 per share.*

44. *The first element of the cost bases and reduced cost bases of your 1,875 WAM Capital shares following the issue of the bonus shares will become:*

- *625 shares with an acquisition date of 1 July 2024, with the first element of cost base and reduced cost base being $0.80 per share ((500 × $1) ÷ 625 = $0.80), and*
- *1,250 shares with an acquisition date of 1 July 2025, with the first element of cost base and reduced cost base being $1.20 per share ((1,000 × $1.50) ÷ 1,250 = $1.20).*

Status: **not legally binding**

References

Legislative references:

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

ATO references

NO:	1-1BDGXUBF
ISSN:	2205-5517
BSL:	PG
ATOlaw topic:	Capital gains tax ~~ Cost base / reduced cost base Income tax ~~ Capital management ~~ Assessability of distribution