


CR 2026/12 - Europa Metals Ltd - reduction of share capital

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Status: **legally binding**

Class Ruling

Europa Metals Ltd – reduction of share 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 Europa Metals Ltd (Europa) who received a reduction of share capital (Capital Return). This consisted of an amount of 1 penny (in United Kingdom currency) (GBP0.01) per share, paid by Europa on 13 February 2026 (Payment Date) in either United Kingdom pounds, Australian dollars or South African rand.
2. Details of this scheme are set out in paragraphs 22 to 47 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 held ordinary shares in Europa and you:
 - were registered on the Europa share register on 30 January 2026 (Record Date)
 - held your Europa shares on capital account – that is, your Europa shares were neither held as a ‘revenue asset’ (as defined in section 977-50) nor as trading stock (as defined in subsection 995-1(1)), and
 - did not acquire your shares in Europa under an employee share scheme (as defined in section 83A-10).
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 22 to 47 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

Reduction of share capital is not a dividend

7. No part of the Capital Return you received from Europa 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 Capital Return has been debited against an amount standing to the credit of the share capital account of Europa.

8. Therefore, no part of the Capital Return 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 to deem an assessable dividend

9. The Commissioner will not make a determination under subsection 45A(2) of the ITAA 1936 that section 45C of the ITAA 1936 applies in relation to the whole, or a part, of the capital benefits provided to you under the Capital Return. This is because Europa did not stream the provision of capital benefits and the payment of dividends to its shareholders as required by subsection 45A(1) of the ITAA 1936. Therefore, you will not include any part of the amount of the capital benefit (the amount of share capital distributed to you by Europa under the Capital Return) in your assessable income under subsection 44(1) of the ITAA 1936.

10. The Commissioner will not make a determination under paragraph 45B(3)(b) of the ITAA 1936 that section 45C of the ITAA 1936 applies to the whole, or any part, of the capital benefit provided to you under the Capital Return. This is because the purpose condition in paragraph 45B(2)(c) of the ITAA 1936 was not satisfied. Therefore, you will not include any part of the amount of the capital benefit (the amount of share capital distributed to you by Europa under the Capital Return) in your assessable income under subsection 44(1) of the ITAA 1936.

Capital gains consequences

CGT event G1

11. CGT event G1 happened on the Payment Date when Europa paid you the Capital Return in respect of each Europa share you owned on the Record Date and continued to own on the Payment Date (section 104-135).

12. You made a capital gain when CGT event G1 happened if the Capital Return you received in respect of your Europa share was more than the cost base of your Europa share (subsection 104-135(3)). The amount of the capital gain is equal to the excess. If you made a capital gain, the cost base and reduced cost base of your Europa share is reduced to nil (subsection 104-135(3)).

13. If the Capital Return you received was equal to or less than the cost base of your Europa share, the cost base and reduced cost base of your Europa share is reduced by the amount of the Capital Return (subsection 104-135(4)). You cannot make a capital loss when CGT event G1 happens (Note 1 to subsection 104-135(3)).

Status: **legally binding**

CGT event C2

14. CGT event C2 happened to your right to receive the Capital Return on the Payment Date when Europa paid you the Capital Return in respect of each Europa share you owned on the Record Date but ceased to own before the Payment Date (section 104-25).

15. CGT event C2 happened because, by ceasing to own a Europa share after the Record Date but before the Payment Date, you retained the right to receive the Capital Return (which is a separate CGT asset from the share in Europa). When the Capital Return was paid to you, the right to receive the Capital Return (being an intangible CGT asset) ended by the right being discharged or satisfied.

16. You made a capital gain equal to the amount of the Capital Return (subsection 104-25(3)).

Discount capital gain

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

Foreign resident shareholders

18. If you are a foreign resident, any capital gain you make from CGT event G1 is disregarded unless your Europa share is taxable Australian property (section 855-10).

19. If you are a foreign resident, the capital gain you make from CGT event C2 is disregarded unless your right to receive the Capital Return is taxable Australian property (section 855-10).

20. Your Europa share or right to receive the Capital Return is taxable Australian property if it:

- was used by you at any time in carrying on a business through a permanent establishment in Australia (table item 3 of section 855-15), or
- is a CGT asset that is covered by subsection 104-165(3) (choosing to disregard a capital gain or capital loss on ceasing to be an Australian resident) (table item 5 of section 855-15).

Translating foreign currency into Australian dollars

21. To the extent you received your part of the Capital Return in a foreign currency, the Capital Return received must be translated to Australian dollars at the exchange rate applicable on the Payment Date (table item 5 of subsection 960-50(6)).

Scheme

22. 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.

Status: **legally binding**

Europa Metals Ltd

23. Europa was incorporated in Australia on 18 July 2001.
24. Europa was listed on the Australian Securities Exchange from 14 November 2005 until it was delisted on 8 March 2019.
25. On 15 December 2010, Europa was listed on the AIM sub-market of the London Stock Exchange.
26. On 11 November 2010, Europa was listed on the Johannesburg Stock Exchange (JSE). In 2019, Europa migrated from the main Board of the JSE to AltX (an alternative exchange operated in parallel with and wholly owned by the JSE).
27. Europa is a lead–zinc exploration company focused on European projects, particularly in Spain.
28. As of 30 June 2025, Europa had:
 - \$49,662,517 credited to its share capital account, and
 - reserves of \$42,629.
29. As of 30 June 2025, Europa had accumulated accounting losses of \$53,226,357.
30. As of the Record Date, Europa had 97,671,790 fully paid ordinary shares on issue (being the only class of shares on issue).
31. As of 30 June 2025, Europa’s franking account balance was nil.

Acquisition of shares in Denarius Metals Corp.

32. On 22 September 2016, Europa acquired 100% of the share capital in Europa Metals Iberia S.L. (EMI) (formerly named GoldQuest Iberica, S.L).
33. As of 30 September 2024, EMI owed \$6,480,547 to Europa under a loan (Outstanding Loan).
34. On 12 November 2024, Europa entered into a loan assignment agreement with Denarius Metals Corp. (Denarius), a company incorporated in Canada, whereby Europa:
 - disposed of 100% of the total shares on issue in EMI to Denarius, and
 - assigned its receivable under the Outstanding Loan to Denarius.
35. As consideration, Europa received 7 million shares in Denarius. The shares in Denarius are listed on the Cboe Canada exchange and trade under the code ‘DMET’.
36. From 17 April 2025 to 15 April 2026, Europa disposed of 3,231,000 of its Denarius shares in several parcels.

Reduction of share capital

37. On 14 May 2025, Europa announced that its directors resolved to distribute its shareholding in Denarius to the shareholders of Europa by way of an equal reduction of share capital under section 256B of the *Corporations Act 2001*.
38. On 16 January 2026, the shareholders of Europa approved an ordinary resolution under section 256C of the *Corporations Act 2001* to reduce the share capital of Europa by not less than GBP1 million (Capital Return).

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39. On the Payment Date (13 February 2026), Europa paid the Capital Return to its shareholders.

40. The Capital Return was an equal reduction of share capital consisting of GBP0.01 (representing part of the net proceeds from Europa selling shares in Denarius) to all Europa shareholders who owned Europa ordinary shares on the Record Date (30 January 2026).

41. Shareholders on the:

- United Kingdom share register received GBP0.01 per share
- Australian share register received A\$0.01932333 per share, and
- South African share register received South African rand of ZAR0.21993 per share.

42. The total amount of the Capital Return (GBP1,023,099.40) was debited to Europa's share capital account.

43. There was no change to the proportionate interest of each shareholder in Europa as a result of the Capital Return.

Other matters

44. Immediately before the Payment Date, Europa's share capital account (as defined in section 975-300) was not tainted (within the meaning of Division 197).

45. Immediately before the Payment Date, approximately 97.5% of Europa's shares were held by non-resident shareholders.

46. Europa has not paid any dividends to its shareholders since its incorporation.

47. Europa does not own any taxable Australian real property (as defined in section 855-20).

Commissioner of Taxation

15 April 2026

Status: **not legally binding**

References

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)(c)
 - ITAA 1936 45B(3)(b)
 - ITAA 1936 45C
 - ITAA 1997 83A-10
 - 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)
 - ITAA 1997 Subdiv 115-A
 - ITAA 1997 115-25(1)
 - ITAA 1997 Div 197
 - ITAA 1997 Div 230
 - ITAA 1997 855-10
 - ITAA 1997 855-15
 - ITAA 1997 960-50(6)
 - ITAA 1997 975-300
 - ITAA 1997 977-50
 - ITAA 1997 995-1(1)
 - Corporations Act 2001 256B
 - Corporations Act 2001 256C
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ATO references

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