


CR 2026/23 - Latitude Group Holdings Limited - Latitude Capital Notes 2

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Status: **legally binding**

Class Ruling

Latitude Group Holdings Limited – Latitude Capital Notes 2

📌 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 tax consequences for certain entities who subscribed for and acquired the Latitude Capital Notes 2 (LCN 2) issued by Latitude Group Holdings Limited (Latitude).
2. Details of this scheme are set out in paragraphs 30 to 67 of this Ruling.
3. All legislative references in this Ruling are to the *Income Tax Assessment Act 1997*, unless otherwise indicated.

Note: by issuing this Ruling, the ATO is not endorsing this product. Potential investors must form their own view about the product.

Who this Ruling applies to

4. This Ruling applies to you if you:
 - acquired your LCN 2 from Latitude by initial application under the Latitude Capital Notes 2 Replacement Prospectus dated 1 April 2026 (Prospectus)
 - are a ‘resident of Australia’ within the meaning of that term in subsection 6(1) of the *Income Tax Assessment Act 1936* (ITAA 1936) during the period in which you hold your LCN 2, and
 - do not hold your LCN 2 as a ‘revenue asset’ (as defined in section 977-50) or as ‘trading stock’ (as defined in subsection 995-1(1)) – that is, your LCN 2 are held on capital account.
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 30 to 67 of this Ruling.

Status: **legally binding**

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 2031.

Ruling

Consequences of acquiring Latitude Capital Notes 2

7. You acquired your LCN 2 on 28 April 2026 (Issue Date) (table item 2 of section 109-10).

8. The first element of the cost base and reduced cost base of each LCN 2 is \$100, being the money you paid to acquire the LCN 2 (subsections 110-25(2) and 110-55(2)).

9. Each LCN 2 is not a 'traditional security' (subsection 26BB(1) of the ITAA 1936) or a 'qualifying security' (subsection 159GP(1) of the ITAA 1936). This is because each LCN 2 is not a 'security' as defined in subsection 159GP(1) of the ITAA 1936.

Consequences of holding Latitude Capital Notes 2

Distribution on Latitude Capital Notes 2 and entitlement to tax offset for franking credits

10. As each LCN 2 is a 'non-share equity interest' (as defined in subsection 995-1(1)), a distribution on a LCN 2 is a non-share dividend under section 974-120.

11. If you received a distribution on your LCN 2 directly, you must include it in your assessable income (subparagraph 44(1)(a)(ii) of the ITAA 1936). Additionally, in the income year the distribution was paid, subject to you being a 'qualified person' in relation to the distribution (section 207-20), you will:

- have to include the amount of the franking credits on the distribution in your assessable income, and
- be entitled to a tax offset equal to the amount of the franking credits on the distribution (unless the distribution is exempt income or non-assessable non-exempt income in your hands).

12. If you received a distribution on your LCN 2 as a trustee of a trust (not being a complying superannuation entity) or a partnership, and you are not a corporate tax entity, you will include an amount equal to the franking credit on the distribution in your assessable income (subsection 207-35(1)), subject to you being a qualified person in relation to the distribution.

13. The relevant members of a partnership or trust to whom a distribution flows indirectly, through the partnership or trust, are entitled to a tax offset equal to their share of the franking credit on the distribution included in the assessable income of the partnership or trust (section 207-45).

14. Your entitlement to the franking credit tax offset under Division 207 in relation to the distributions on your LCN 2 is subject to the refundable tax offset rules in Division 67, provided you are not excluded by the operation of section 67-25.

Status: **legally binding**

15. Section 207-145 will not apply to cancel the effect of the gross-up and tax offset in respect of the franking credit on a franked distribution on your LCN 2 if you are a 'qualified person' in relation to the distribution.

Qualified person

16. You will be a qualified person in relation to a distribution on your LCN 2 if, during the primary qualification period, you held your LCN 2 for a continuous period of at least 90 days (excluding the day of acquisition and, if you disposed of your LCN 2, the day of disposal) 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 your LCN 2 (former section 160APHO of the ITAA 1936).

17. The conversion of your LCN 2 to Latitude ordinary shares will not affect your risks of loss or opportunities for gain in respect of your LCN 2. This is because the conversion does not constitute a separate position (former sections 160APHM and 160APHJ of the ITAA 1936).

Integrity rules in relation to franking credits

18. As there is no streaming of distributions, the Commissioner will not make a determination under paragraph 204-30(3)(c) to deny the whole, or any part, of the imputation benefits you received in relation to distributions paid on the LCN 2.

19. The Commissioner will not make a determination under paragraph 177EA(5)(b) of the ITAA 1936 to deny the whole, or any part, of the imputation benefits you received in relation to distributions paid on the LCN 2. This is because the purpose condition in paragraph 177EA(3)(e) of the ITAA 1936 is not satisfied.

Consequences of converting Latitude Capital Noes 2 to Latitude ordinary shares

20. Each LCN 2 is a convertible interest (table item 4 of subsection 974-75(1)).

Capital gains implications

21. CGT event C2 will happen when your LCN 2 are converted to Latitude ordinary shares (section 104-25). Any capital gain or capital loss you make on the conversion of your LCN 2 to Latitude ordinary shares will be disregarded (subsection 130-60(3)).

22. The Latitude ordinary shares you acquire on the conversion of your LCN 2 will be taken to have been acquired when the conversion happens on the relevant conversion date (subsection 130-60(2)).

23. The first element of the cost base and reduced cost base of the Latitude ordinary shares you acquire on the conversion of your LCN 2 will be equal to the cost base and reduced cost base of the relevant LCN 2 at the time of conversion (table item 2 of subsection 130-60(1)). You should divide the cost base and reduced cost base of the relevant LCN 2 by the number of Latitude ordinary shares you acquire on conversion.

Status: **legally binding**

Dividend implications

24. You will not be taken to have received a dividend or a non-share dividend which will be assessable income under paragraph 44(1)(a) of the ITAA 1936 as a result of the conversion of your LCN 2 to Latitude ordinary shares.

25. However, you will need to include in your assessable income the distribution on the LCN 2 or the unpaid distribution on the LCN 2 that is applied to acquire Latitude ordinary shares on conversion of the LCN 2 in the income year in which the conversion occurs (subparagraph 44(1)(a)(ii) of the ITAA 1936).

26. Additionally, in the income year in which the conversion occurs, subject to you being a 'qualified person' in relation to the distribution or unpaid distribution that is applied to acquire Latitude ordinary shares on conversion of the LCN 2 (section 207-20), you will:

- have to include the amount of the franking credits on the distribution on the LCN 2 or the unpaid distribution on the LCN 2 (that is applied to acquire Latitude ordinary shares on conversion of the LCN 2) in your assessable income, and
- be entitled to a tax offset equal to this amount of franking credits (unless the distribution is exempt income or non-assessable non-exempt income in your hands).

Consequences for Latitude ordinary shares received for distributions or unpaid distributions on Latitude Capital Notes 2

27. For any Latitude ordinary shares you receive in respect of any distribution or unpaid distribution on the LCN 2 on the conversion date:

- you will be taken to have acquired those Latitude ordinary shares when they are issued to you (section 109-10), and
- the first element of the cost base and reduced cost of each of those Latitude ordinary shares is the amount of the distribution or unpaid distribution referable to that Latitude ordinary share (paragraph 110-25(2)(a)).

Anti-avoidance provisions

28. Section 45 of the ITAA 1936 will not apply to treat the value of Latitude ordinary shares issued to you on the conversion of the LCN 2 as an unfrankable dividend, as there is no streaming of shares and minimally franked dividends.

29. The Commissioner will not make a determination that section 45C of the ITAA 1936 applies to treat the whole, or any part, of a capital benefit provided to you on the conversion or redemption of the LCN 2 as an unfranked dividend paid by Latitude to you under:

- subsection 45A(2) of the ITAA 1936 (as there is no streaming of dividends and capital benefits), or
- paragraph 45B(3)(b) of the ITAA 1936 (as the purpose condition in paragraph 45B(2)(c) of the ITAA 1936 is not satisfied).

Status: **legally binding**

Scheme

30. 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.

Latitude Group Holdings Limited

31. Latitude is a company incorporated in Australia.
32. Latitude was listed on the Australian Securities Exchange (ASX) on 20 April 2021.
33. Latitude's business involves the provision of loan facilities, vehicle finance and insurance.
34. Latitude is not an authorised deposit-taking institution under the *Banking Act 1959*, and the LCN 2 do not need to qualify as Tier 1 or Tier 2 instruments under any of the prudential standards determined by the Australian Prudential Regulation Authority.
35. Latitude is the head company of an income tax consolidated group under Part 3-90.
36. Latitude has one class of shares (being ordinary shares) on issue.

Latitude Capital Notes 2

37. On the Issue Date (28 April 2026), Latitude issued 1,346,455 LCN 2 under the Prospectus and raised \$134.65 million.
38. The face value of each LCN 2 issued is \$100.
39. The LCN 2 are fully paid, subordinated, perpetual, unsecured, convertible and redeemable notes issued by Latitude.
40. Holders of the LCN 2 will have no voting rights in Latitude, except in limited circumstances.
41. The LCN 2 can be traded on the ASX.

Distribution on Latitude Capital Notes 2

42. Each holder of a LCN 2 is entitled to receive cash distributions in respect of their LCN 2 every 3 months in arrears, commencing on 28 July 2026.
43. The distributions on the LCN 2 are cumulative. The distribution rate is based on the 3-month Bank Bill Swap Rate plus a margin of 4.15%, adjusted for the franking percentage of the distribution.
44. The distributions on the LCN 2 are expected to be franked at the same percentage as the dividends on Latitude ordinary shares.
45. The payment of a distribution on the LCN 2 is at the absolute discretion of Latitude.
46. If Latitude determines not to pay all or part of a distribution on the LCN 2 which is scheduled to be paid on a distribution payment date, that distribution (or part of the distribution) becomes an unpaid distribution.
47. Latitude has no liability to pay the unpaid amount of the distribution, and the holders of the LCN 2 have no claim or entitlement in respect of non-payment. Interest will not accrue on any unpaid distribution.

Status: **legally binding**

48. If Latitude fails to pay a distribution on the LCN 2, Latitude must not declare, determine to pay or pay a dividend on Latitude ordinary shares or undertake any share buy-back or reduction of share capital.

Conversion and redemption of Latitude Capital Notes 2

49. The LCN 2 cannot be converted or redeemed at the option of a holder of the LCN 2.

50. Latitude may elect to convert or redeem all or some of the LCN 2 following the occurrence of certain defined events. If the LCN 2 are not converted or redeemed on the Optional Exchange Date (28 April 2031), the margin used in calculating the distribution rate will be increased by 3% per annum.

51. If the LCN 2 are not redeemed following certain change of control events, the margin used in calculating the distribution rate will be increased by a further 5% per annum, with effect from the later of the Optional Exchange Date and fifteen Business Days following the date of the change of control event.

52. A conversion of the LCN 2 into Latitude ordinary shares will be implemented by the:

- LCN 2 being terminated for consideration equal to the face value of the Notes, plus the distribution scheduled to be paid on the conversion date and any unpaid distribution as at that date, and
- consideration being applied to subscribe for new ordinary shares to be issued by Latitude.

53. Upon redemption of the LCN 2, the holders of the LCN 2 will receive the face value of the LCN 2 redeemed, together with the amount of any unpaid distributions up to and including the redemption date.

54. If Latitude fails to convert or redeem the LCN 2 on the occurrence of a relevant event, LCN 2 will remain on issue until such time as they are converted or redeemed in accordance with the terms of the LCN 2.

55. On a conversion or redemption of the LCN 2, Latitude will debit the issue price of the LCN 2 to its non-share capital account.

Reasons for issuing Latitude Capital Notes 2

56. The LCN 2 were issued to meet Latitude's ongoing funding and capital management requirements. If Latitude decides to redeem the Latitude Capital Notes it issued in 2021 (which trade under the ASX code 'LFSPA' and are the subject of Class Ruling CR 2021/69 *Latitude Group Holdings Limited – Latitude Capital Notes*), Latitude might use the proceeds of issuing the LCN 2 to fund the redemption of the Latitude Capital Notes that are not reinvested in the LCN 2 under a reinvestment offer.

Other matters

57. No holder of the LCN 2, and no associate (as defined in section 318 of the ITAA 1936) of a holder of the LCN 2, will have any 'position' (as defined in former section 160APHJ of the ITAA 1936) in respect of their LCN 2 other than owning the LCN 2.

58. There will be no 'related payment' (as defined in former section 160APHN of the ITAA 1936) in respect of any distributions on the LCN 2.

Status: **legally binding**

59. Distributions on the LCN 2 are frankable distributions under section 202-40.
60. Latitude will have sufficient profits to make a franked distribution on the LCN 2.
61. Latitude will not differentially frank distributions to different holders of the LCN 2 for any reason or on any basis.
62. Distributions on the LCN 2 will not be sourced, directly or indirectly, from Latitude's share capital account or non-share capital account.
63. Distributions on the LCN 2 will not be sourced, directly or indirectly, from Latitude's unrealised or untaxed profits.
64. Distributions on the LCN 2 will not be debited against Latitude's share capital account or non-share capital account.
65. Franked distributions on the LCN 2 made by Latitude will not give rise to a foreign income tax deduction (as defined in section 832-120) for Latitude.
66. Latitude does not have any foreign branches through which it carries on business.
67. If Latitude declares the unfranked part of a distribution on the LCN 2 to be conduit foreign income (under Division 802), a holder of the LCN 2 who is an Australian resident and a corporate tax entity will not, after the start of the relevant income year and before the due day for lodging their income tax return for that income year, declare the unfranked part of a frankable distribution made by the holder of the LCN 2 to be conduit foreign income.

Commissioner of Taxation
20 May 2026

Status: **not legally binding**

References

Previous rulings and determinations:

CR 2021/69; TD 2007/29

Legislative references:

- | | |
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| - ITAA 1936 45B(3)(b) | - ITAA 1997 130-60(2) |
| - ITAA 1936 45C | - ITAA 1997 130-60(3) |
| - ITAA 1936 159GP(1) | - ITAA 1997 202-40 |
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NO: 1-1AUM4L1P
 ISSN: 2205-5517
 BSL: PG
 ATOLaw topic: Capital gains tax ~~ CGT events ~~ C1 to C3 - end of a CGT asset
 Income tax ~~ Assessable income ~~ Dividend income
 Income tax ~~ Capital management ~~ Qualified person rule

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