Investing in shares

Find out about the tax implications when obtaining, owning and disposing of shares, including receiving dividends.

Obtaining shares

Find out about obtaining shares and what deductions you can claim when obtaining shares.

Owning shares

Find out about owning shares, including dividends and deductions you can claim.

Disposing of shares

Find out about disposing of shares, and capital gains and losses when you dispose of shares.

Refund of franking credits for individuals

What are franking credits and when individuals are eligible for a refund of franking credits.

Children's share investments

If your child is under 18 years old and they buy shares, find out

QC 22810

Obtaining shares

Find out about obtaining shares and what deductions you can claim when obtaining shares.

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How you obtain shares

You can obtain shares in several ways, most commonly by buying them. You should **keep track of your share transactions** so you can claim everything you're entitled to and work out your tax accurately.

You can obtain **shares** through:

- Buying shares
- Inherited shares
- Shares as a gift
- Employee share scheme
- Bonus shares
- Demerger
- Demutualisation of an insurance company
- **dividend reinvestment plans** of companies in which you hold shares
- them being transferred to you as the result of **a marriage or relationship breakdown**

- a conversion of notes to shares
- mergers and takeovers of companies in which you hold shares.

Even if you didn't pay anything for your shares, you should find out the market value at the time you obtain them – otherwise, you may pay more tax than necessary when you dispose of them.

In some circumstances, you may be considered the owner of shares even if they were purchased in your child's name.

Buying shares

You purchase shares through either:

- a stockbroker
- an initial public offering
- share purchase plans
- dividend reinvestment plans.

When you buy shares, you may decide to be a share trader or share investor.

Share trader or share investor

Depending on whether you are a share trader or a share investor, you will deal with income and expenses differently. A share trader conducts business activities for the purpose of earning income from buying and selling shares. A share investor invests in shares with the intention of earning income from dividends and capital growth but doesn't carry on business activities.

Inherited shares

You may inherit shares as part of a deceased estate. In this case:

- you treat inherited shares in the same way as any other capital gains tax assets
- where the deceased acquired the shares before 20 September 1985, you must use the market value on the day the person died, not the market value on the day you received the shares.

Shares as a gift

A family member may give shares to relatives, for example, a parent gives shares to their child. If you:

- give shares as a gift, you
  - treat the shares as if you disposed of them at their market value on the day you gave them as a gift
  - may have a capital gain or a capital loss – you must include any applicable capital gain or loss in your tax return for the year you gave away the shares
- receive shares as a gift, you treat shares as though you received them at their market value on the date you received them.

Employee share scheme

The tax law contains special rules for shares and rights acquired under **employee share schemes**, for both income tax and capital gains tax purposes.

Bonus shares

Bonus shares are extra shares you receive for shares you already hold in a company. Receiving bonus shares can alter the cost base or reduced cost base (costs of ownership) of both your original and bonus shares when the bonus shares are not treated as dividend.

For more information, see **Guide to capital gains tax – Bonus shares**.

Demerger

A **demerger** occurs when a company restructures by splitting its operations into 2 or more entities or groups. If you own shares in a company that demerges, you:

- receive 2 shares, the original shares plus 'new shares' in the demerged company
- may be entitled to a **demerger rollover**.

Make sure you:

- are entitled to a rollover before you choose to use it
- declare any capital gains or losses you made under the demerger.

In some demergers, you may be eligible to choose to rollover any capital gain or capital loss you make. This means you don't report your capital gain or capital loss the year the demerger occurs. Instead, you settle your tax obligations in the year that another CGT event happens to those shares.

Demutualisation of an insurance company

If you hold a policy in an insurance company that demutualises, you may be subject to capital gains tax either at the time of the demutualisation or when you sell your shares. Private health fund policies and policies held with friendly societies are treated in the same way if the fund or society demutualises.

Paper losses

Capital losses only happen when you dispose of the investments, such as selling them.

If the price drops but you continue to own the investment, it's referred to as a 'paper loss'. You can't claim 'paper losses' on investments.

If you have a capital loss from the disposal of investments, you can offset this against capital gains. You can't offset the loss against other types of income.

You should declare the loss in your tax return and it can be carried forward to offset against future capital gains.

Deductions when obtaining shares

You can't claim deductions for costs, such as brokerage and other costs, related to purchasing your shares. They form part of the cost base of the share. The difference between the capital proceeds and cost base or reduced cost base is either a capital gain or capital loss.

You need to keep proof of all your share transactions from the beginning to ensure you can claim everything you're entitled to.

If you have used a capital protected product (capital protected borrowing) to fund the acquisition of your shares, you may need to find out how to calculate deductions for a capital protected borrowing.

Investigate before investing

There are several ways to check the legitimacy of an investment and its promoter:

- Check a promoter's licence at [Check before you invest – Moneysmart.gov.au](#).
- Check if the scheme has a **product ruling**.
- Read the product disclosure statement (PDS) or prospectus for the investment.
- Get independent advice from an adviser who has no connection with the seller or the investment scheme.
- Check our **taxpayer alerts** to find out if the scheme has any of the characteristics described in the alerts.

Capital protected products and borrowings

As an investor, you may use a capital protected product to fund the acquisition of investments.

How to calculate deductions for a capital protected borrowing

Work out how to calculate any deductions you can claim if you use a capital protected product or borrowing.

QC 22811

Capital protected products and borrowings

As an investor, you may use a capital protected product to fund the acquisition of investments.

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On this page

Types of capital protected products

Common types of capital protected products (also known as a protected capital borrowing) include:

- capital protected loans
- instalment warrants.

Capital protected products also include arrangements where:

- you use shares, units or stapled securities as security for borrowing money or obtaining credit
- those shares, units or stapled securities are protected from a fall in their value.

How investors use capital protected products

Typically, capital protected loans involve the use of a limited recourse loan to directly acquire shares, units or stapled securities. Capital protected products include:

- limited recourse loan
- put option
- instalment warrant.

Limited recourse loan

With a limited recourse loan, if, as the borrower, you default on the loan, the lender is limited in the action that it can take to recover the amount loaned. For a capital protected product, the lender's recourse is limited to the underlying shares, units or stapled securities.

This means that you can return the shares, units or stapled securities to the lender in full satisfaction of your outstanding loan obligations, either:

- directly, or
- indirectly – by going into default, leaving the lender the ability to only recover the shares, units or stapled securities.

Because of the capital protection feature in a limited recourse loan, the lender will usually charge you higher rates of interest or additional fees.

Capital protected borrowings can also include full recourse loans used to acquire shares, units and stapled securities where a fall in the market value of the shares, units or stapled securities is protected. One way of providing this protection is through the use of a put option.

Put option

Another common method for capital protection is through the use of a 'put option', which is normally used together with either a full recourse loan or a limited recourse loan facility. A put option gives you the right to 'put' or sell the underlying shares or securities back to the lender for the higher of market value or the amount outstanding under the loan.

Instalment warrant

An instalment warrant is a specific type of security that provides for the purchase of shares, units or stapled securities, through the payment of several instalments over the life of the warrant. The warrant itself is tradeable and can be listed on the Australian Securities Exchange.

As the holder of the warrant, you are entitled to dividends or distributions paid in relation to the underlying instrument. You may also be entitled to exercise the voting rights attached to the underlying instrument.

If an instalment warrant product is also capital protected, the instalment payments (apart from the first instalment) are usually financed by a limited recourse loan. There is also generally a put option incorporated under these arrangements.

The put option (instead of the limited recourse facility) is effectively providing the capital protection to the investor if both of the following apply:

- A capital protected product features both a put option and a limited recourse facility.
- The exercise price of the put option is the amount outstanding under the loan.

Claiming a deduction

You can claim a deduction for the interest incurred on loans associated with capital protected products (which did not separately identify or attach value to the loan's capital protection component).

Application date

The way you calculate interest deductions for capital protected borrowings have changed:

- Before late 2002 – our view was that part of the 'interest' on the loan associated with a capital protected product was a non-deductible capital protection fee.
- Late 2002 – the Full Federal Court held that interest incurred on loans associated with capital protected products (which did not separately identify or attach value to the loan's capital protection component) was fully deductible.
- April 2003 –an interim methodology was introduced for a capital protected borrowing entered or extended at or after 9:30 am, by legal time in the Australian Capital Territory, on 16 April 2003.
- July 2007 – there is a methodology for calculating interest deductions for capital protected borrowings entered into on or after 1 July 2007.
- May 2008 – the benchmark rate to be used for capital protected borrowings changed on 13 May 2008 to the Reserve Bank's standard variable housing rate.
- June 2011 – the benchmark rate was changed to the Reserve Bank's standard variable housing rate plus 100 points, with transitional provisions allowing products entered into at or before 7:30 pm (AEST) on 13 May 2008 to use the previous benchmark interest rate to the earlier of

  - 30 June 2013
  - the expiration of the product.
- 15 September 2015 – the benchmark rate to be used for capital protected borrowings is the Reserve Bank standard variable rate plus 100 points (Investor).

If the change to the benchmark rate required you to amend your tax returns, you had until 29 June 2013 to make those changes.

For information on which treatment applies to your product, see **How to calculate deductions for a capital protected borrowing**.

QC 17546

How to calculate deductions for a capital protected borrowing

Work out how to calculate any deductions you can claim if you use a capital protected product or borrowing.

Last updated 23 June 2025

On this page

Work out which treatment applies

The way a capital protected product or borrowing is treated for tax purposes depends on:

- whether a product ruling applies to it
- the date the arrangement was entered into or extended
- whether it provides capital protection by way of a limited recourse loan only, or another method.

To work out which treatment applies to your product follow the following steps.

Step 1 – Does a product ruling cover the arrangement?

- Yes – go to Covered by a product ruling
- No – go to Step 2.

Step 2 – Was the capital protected product or borrowing entered into or extended before 9:30 am on 16 April 2003?

- Yes – go to Entered into before 9:30 am on 16 April 2003
- No – go to Step 3.

Step 3 – Was the capital protected product or borrowing entered into or extended on or after 9:30 am on 16 April 2003 but before 1 July 2007?

- Yes – go to Entered into or extended on or after 9:30 am on 16 April 2003 but before 1 July 2007
- No – go to Step 4.

Step 4 – Was the capital protected product or borrowing entered into or extended on or after 1 July 2007 but before 13 May 2008?

- Yes – go to Entered into or extended on or after 1 July 2007 but before 13 May 2008
- No – go to Step 5.

Step 5 – The capital protected product or borrowing was entered into or extended on or after 13 May 2008 – go to Entered into or extended on or after 13 May 2008.

Covered by a product ruling

You can search our **legal database** for a product ruling on your particular capital protected product or borrowing.

The issue and withdrawal dates of the rulings affect the way they are applied to your arrangement. Some rulings have been withdrawn but are still relevant to arrangements that were entered into before they were withdrawn.

If you have invested in a product that is covered by a product ruling, refer to that ruling to determine the tax treatment that applies.

The fact that you hold a product covered by a product ruling does not conclusively determine that the ruling applies to you. Read the ruling to confirm that the:

- product you hold and the circumstances in which you hold it are in fact covered by the ruling
- date you entered into the arrangement makes the ruling relevant to your circumstances.

Read the ruling to confirm whether it is subject to, or has been subject to, amendment to give effect to changes to the benchmark interest rate applicable to your capital protected borrowing.

Example: covered by a product ruling

Product Ruling **PR 2008/50** *Income tax: tax consequences of investing in ANZ Protected Equity Leveraged Solutions* was published on 21 May 2008. It provides the Commissioner's opinion on the amount that may be deducted for a capital protected borrowing arrangement to be entered into after 13 May 2008.

As this product ruling was published after the announcement of the new benchmark rate but before the legislation received Royal Assent, the ATO took the approach that a legally binding ruling could not be given that enforced the new benchmark rate.

It was therefore the investors' choice to either:

- self-assess using the proposed benchmark interest rate
- use the existing benchmark interest rate and amend their tax returns once Royal Assent was received.

Jon, an investor, decided to use the old benchmark interest rate, as addressed in the product ruling, and paid interest on the investment at 12%, which equalled $100 for the period. At that time, the RBA's variable indicator lending rate for personal unsecured loans (indicator variable rate) was 14%, so the interest paid was entirely below the benchmark interest rate and the full $100 interest payment was deductible.

However, once the change to the benchmark interest rate received Royal Assent, PR 2008/50 was amended. As Jon self-assessed using the old benchmark interest rate, he was required to amend his tax returns.

For the period in question, the RBA's variable housing rate plus 100 basis points (1%) was 10%. Therefore, the investment interest rate of 12% was now above the benchmark interest rate. This means that 2% was no longer deductible. Jon had to amend his tax returns by 29 June 2013 to reduce his interest deduction by $16.

Entered into before 9:30 am on 16 April 2003

When interest is fully deductible

Based on the decision in *Firth v. Federal Commissioner of Taxation*, if you entered into your product before 9:30 am on 16 April 2003, interest is fully deductible if both of the following apply:

- The capital protection is only provided by way of a limited recourse loan facility.
- The loan does not separately identify or attach value to the capital protection component.

For information on the treatment of capital protected products without a separately identifiable 'put option' entered into before 16 April 2003, see ATO Interpretative Decision ATO ID 2003/674.

Other products

For products that use other methods of capital protection, the tax implications will depend on the specific terms and conditions of the capital protected product.

If you need information on capital protected products acquired before 9:30 am on 16 April 2003 that are not covered by a product ruling and provide capital protection other than by way of limited recourse loans, you can request a **private ruling** to gain certainty.

Entered into or extended on or after 9:30 am on 16 April 2003 but before 1 July 2007

If you entered into or extended a product on or after 9:30 am on 16 April 2003 but before 1 July 2007, part of the interest cost is attributed to the capital protection feature of the loan and is not deductible.

Products with an explicit put option

A capital protected product that contains an explicit put option – for example instalment warrants traded on the Australian Securities Exchange (ASX) – gives you the right to 'put' or sell the underlying share, unit, or stapled security ('underlying security') back to the lender. The underlying securities can be ‘put’ or sold back to the lender for the higher of the market value or the amount outstanding under the loan.

If a capital protected product with a put option was purchased in the:

- primary market (before listing on the ASX), the cost of the capital protection component is the amount that is paid for the put option
- secondary market (once listed on the ASX), if the market value of the underlying security at the time of purchase is
  - greater than the loan amount, the amount attributed to the cost of the capital protection component is the price of the instalment warrant plus the loan amount less the sum of the market value of the underlying security and the interest prepaid on the newly acquired loan
  - equal to or less than the loan amount, the amount attributed to the cost of the capital protection component is the price of the instalment warrant less the interest prepaid on the newly acquired loan.

Other capital protected products

For other capital protected products the cost of the capital protection component is the greater of the:

- difference between the total amount, ignoring amounts that are not in substance for capital protection or interest, incurred by the borrower in respect of the borrowing and the amount determined by applying the Reserve Bank of Australia's indicator rate for personal unsecured loans (fixed or variable rate, whichever is applicable to the same amount of borrowing)
- amount determined by reference to the following specified percentage amounts of the expense on a capital protected product
  - 40% for a product with a term of one year or shorter
  - 27.5% for a product with a term longer than one year but not longer than 2 years
  - 20% for a product with a term longer than 2 years but not longer than 3 years
  - 17.5% for a product with a term longer than 3 years but not longer than 4 years
  - 15% for a product with a term longer than 4 years.

Capital protected products entered into or extended before 1 July 2007 and still in existence at 13 May 2008 may continue to use the methodology outlined above until 30 June 2013 or the end of the life of the arrangement, whichever is sooner.

Entered into or extended on or after 1 July 2007 but before 13 May 2008

For capital protected products entered into on or after 1 July 2007, you calculate the amount that is reasonably attributable to capital protection using 3 steps.

Step 1 is to calculate the total costs incurred by the borrower under, or in respect of, the capital protected product for the income year, ignoring amounts that are not in substance for capital protection or interest.

Step 2 is to apply the RBA's indicator variable interest rate for personal unsecured loans to the same amount of borrowing. If the borrowing is at a:

- fixed rate you would apply the indicator variable interest rate at the time the first of the amounts in Step 1 was incurred
- variable rate, you would apply the average of the indicator rates – table F5 during the term of the borrowing.

Step 3 is applied if the amount under Step 1 exceeds the amount under Step 2. In this case, the excess is attributed to the capital protection for the income year. If the underlying securities you purchased under the capital protected borrowing are held on capital account, the excess would be a capital cost and would not be deductible.

Capital protected products entered into or extended after 1 July 2007 but before 13 May 2008 and still in existence at 13 May 2008 may continue to use the RBA's indicator variable interest rate for personal unsecured loans until 30 June 2013 or the end of the life of the arrangement, whichever is sooner.

Entered into or extended on or after 13 May 2008

For capital protected products entered into on or after 13 May 2008, the amount that you can reasonably attribute to capital protection is calculated using 3 steps.

Step 1 is to calculate the total costs incurred by the borrower under, or in respect of, the capital protected product for the income year, ignoring amounts that are not in substance for capital protection or interest.

Step 2 is to apply the benchmark rate, being the RBA's indicator lending rate for standard variable housing loans (indicator variable rate) plus 100 basis points (1%) to the same amount of borrowing. If the borrowing is at a:

- fixed rate you would apply the indicator variable interest rate at the time the first of the amounts in Step 1 was incurred
- at a variable rate, you would apply the average of the indicator rates – table F5 during the term of the borrowing.

Step 3 applies if the amount under Step 1 exceeds the amount under Step 2. In this case, the excess is attributed to the capital protection for the income year. If the underlying securities you purchased under the capital protected borrowing are held on capital account, the excess would be a capital cost and would not deductible.

If as a result of the change to the benchmark rate you were required to amend your tax returns, you only had until 29 June 2013 to do so.

Example: entered into or extended on or after 13 May 2008

Hailey, an investor, decided to invest in a share portfolio using a loan with a capital protection feature in July 2011. The loan itself had an interest rate of 15%. The RBA website provided a standard variable housing interest rate of 7.8%. With the additional 100 basis points (1%), the benchmark interest rate became 8.8%.

This means that 6.2% (15% - 8.8%) of the interest is treated as a put option. Therefore, at the end of the 2011–12 financial year Hailey will prepare her tax return using the following steps:

Step 1: Hailey calculates total interest expenses for the investment as $1,000.

Step 2: Applying the benchmark rate (7.8% + 100 basis points (1%) = 8.8%) to the same amount of borrowing provides an amount of $587.

Step 3: As the amount under step 1 ($1,000) exceeds the amount under step 2 ($587), the excess $413 is attributed to the cost of capital protection, and – assuming the securities are held on capital account – is not deductible.

For changes to the benchmark lending rate to be used after 13 May 2008, see **Capital protected products and borrowings**.

Owning shares

Find out about owning shares, including dividends and deductions you can claim.

Last updated 23 June 2025

On this page

When you own shares

When you own shares, there are tax implications from:

- receiving **dividends**
- participating in a **dividend reinvestment plan**
- receiving **franking credits**
- participating in or receiving a call payment on a **bonus share** scheme
- receiving **non-assessable payments**
- transactions the company you have invested in undertakes, such as mergers, takeovers and **demergers**
- owning **shares if you are under 18 years old**
- receiving a **retail premium** for rights or entitlements that you didn't take up.

Dividends from shares

You need to declare all your dividend income in your tax return, even if you use your dividend to purchase more shares – for example, through a dividend reinvestment plan.

A dividend is assessable income in the year it was paid or credited to you. Your dividend statement shows the relevant date – often referred to as the payment date or date paid.

Reinvesting dividends

Most dividends you are paid or credited will be in the form of money, either by cheque or directly deposited into a bank account. However, the company may give you the option of reinvesting your dividends in the form of new shares in the company – this is called a dividend reinvestment scheme. If you take this option, you must pay tax on your reinvested dividends. The amount of the dividend received will form part of the cost base of the shares you receive.

Keep a record of your reinvested dividends to help you work out any capital gains or capital losses you make when you dispose of the shares.

Deductions when you own shares

When you own shares, you may be able to claim a **deduction** for expenses you incur, including:

- management fees
- specialist journals
- interest on money you borrowed to buy the shares.

Shares held in joint names or with another person

You can hold shares in joint names. If you hold shares with another person, such as your spouse, it's assumed that ownership of the shares is divided equally.

You can own shares in unequal proportions but you must be able to demonstrate this. For example, you can keep a record of the amount each party contributes to the acquisition cost. Assess dividend income and franking credits in the same proportion as the shares are owned.

Dividend income deductions

Find out what deductions you can claim against your dividend income.

Taxing retail premiums

If you receive retail premiums as a shareholder, check how the retail premium is taxed.

QC 22812

Dividend income deductions

Find out what deductions you can claim against your dividend income.

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On this page

Management fees

You can claim ongoing management fees or retainers to investment advisers as a deduction. Only claim part of the fee if the advice covers non-investment matters or relates in part to investments that don't produce assessable income. You can't claim a deduction for a fee paid to draw up an initial investment plan.

Interest

If you borrow money to buy shares, you can claim a deduction for the loan interest, provided it is reasonable to expect that you'll receive assessable dividends. Where the loan was also used for private purposes, only claim interest on the part used to acquire the shares.

Interest on capital protected borrowings

A capital protected borrowing arrangement allows you to acquire listed shares, units or stapled securities with borrowing that protects you from market value falls.

Interest from capital protected borrowing arrangements for shares, units, or stapled securities, entered into or extended on or after 1 July 2007, is not deductible. The interest is treated as if it were a payment for a put option. This treatment applies where the shares, units or stapled securities are held on capital account for investment purposes.

The interest amount attributable to capital protection is worked out using the methodology applicable to the **type of capital protected borrowing**.

Travel expenses

You may be able to claim travel expense deductions where you need to travel to service your investment portfolio. For example, to consult with a broker or to attend a stock exchange or company meeting. You can claim the full amount of your expenses where the sole purpose of the travel relates to the share investment. Where the travel is mainly for private purposes, only claim the expenses directly related to servicing your portfolio.

Cost of journals and publications

You may be able to claim the cost of purchasing specialist investment journals and other publications, subscriptions or share market information services which you use to manage your share portfolio. See Taxation Determination **TD 2004/1** *Income tax: are the costs of subscriptions to share market information services and investment journals deductible under section 8-1 of the Income Tax Assessment Act 1997?*

Internet access and computers

You can claim some **internet access costs** if you use it to manage your portfolio. For example, if you use an internet broker to buy and sell shares. Only the portion of internet use for managing shares is deductible. You can't claim a deduction for the private use portion.

You can claim for the decline in value (previously known as depreciation) of your computer equipment. The applies to the extent the equipment is used for income-producing purposes. You can't claim a capital allowance for the private use portion.

Borrowing expenses

You may be able to claim expenses for taking out a loan to buy shares that are expected to produce dividend income. The expenses may include establishment fees, legal expenses and stamp duty on the loan. If your expenses total more than $100, apportion them over 5 years or the loan term, whichever is shorter. If your expenses are $100 or less, you can claim a deduction for the full amount in the year you incur them.

Dividends that include listed investment company capital gain amounts

If a listed investment company (LIC) pays a dividend to you that includes a LIC capital gain amount, you may be entitled to a deduction.

You can **claim a deduction** if:

- you're an individual
- you were an Australian resident when a LIC paid you a dividend
- the dividend was paid to you after 1 July 2001, and

- the dividend included a LIC capital gain amount from a CGT event involving an asset owned by the LIC for at least 12 months.

The amount of the deduction is 50% of the LIC capital gain amount. The LIC capital gain amount will be shown separately on your dividend statement.

You don't show the LIC capital gain amount at question 18 Capital gains in your tax return.

Other deductions

You can claim any other expenses which relate directly to maintaining your portfolio. These could include bookkeeping expenses and postage.

Deductions in a foreign currency

Translate all foreign currency deductions into Australian dollars before you claim them in your Australian tax return. For more information on exchange rates and how to translate foreign currency, see:

- Translation (conversion) rules
- General information on average rates

Expenses you can't claim

Unless you are carrying on a business of share trading, you can't claim a deduction for the cost of acquiring shares (for example, expenses for brokerage and stamp duty). These will form part of the cost base for CGT purposes when you dispose of the shares. Unless you are carrying on a business of share trading, you can't claim a deduction for a loss on the disposal of shares. The loss is a capital loss for CGT purposes. For more information, see Personal investors guide to capital gains tax 2025.

QC 104069

Taxing retail premiums

If you receive retail premiums as a shareholder, check how the retail premium is taxed.

Last updated 23 June 2025

On this page

What is a retail premium?

A retail premium is:

- a payment made by companies to shareholders as a result of offers of entitlements or rights to existing shareholders
- paid to shareholders who don't take up the company's offers.

Retail premiums you receive may be taxed in different ways.

The tax outcome for shareholders depends in part on the nature of the offer. There are different treatments for renounceable and non-renounceable rights offers.

Non-participating shareholder

You are a non-participating shareholder if either of the following applies:

- you choose not to take up some or all of your entitlements
- you are not eligible to take up an entitlement.

The entitlements or rights that you did not take up, could not take up or did not receive are called unexercised entitlements.

Amount of retail premium

The retail premium is paid directly to you as a net amount either by cheque or a direct credit. Generally, there are no incidental expenses. Not all offers to subscribe for additional shares involve retail premiums.

Tax and retail premiums

A retail premium payment you receive is taxed in different ways, depending on whether it is renounceable or non-renounceable.

Renounceable rights offers include situations where the shareholder:

- can choose to take up the entitlement
- let the entitlement lapse
- trades them in the market.

Alternatively, where these conditions aren't met, the rights are considered to be non-renounceable. These situations have differing tax outcomes for the shareholders that receive retail premiums.

Tax treatment for renounceable rights

Generally, where individual retail investors hold shares on capital account and a resident individual shareholder receives a retail premium, it will constitute a capital gain.

For foreign resident individual shareholders who are not holding investments which are taxable Australian property, the receipt of a retail premium amount won't be taxable.

For more information on the nature of renounceable rights and the tax outcomes for retail shareholders, see Taxation Ruling TR 2017/4.

Australian resident shareholders

A shareholder will make a capital gain if the retail premium amount exceeds the cost base of the entitlement, generally being incidental costs.

A shareholder is taken to have acquired the rights when they acquired the original shares. Therefore, any capital gain may represent a discount capital gain if the eligible shareholder's original shares have been held for 12 months or more.

Retail premiums paid to shareholders are not dividends.

Ineligible shareholders

Retail premiums paid to ineligible shareholders are not dividends.

Capital gains tax

A shareholder will make a capital gain if the retail premium amount is more than the cost base of the entitlement, generally being incidental costs.

Capital gains tax will be disregarded where the shares held are not taxable Australian assets, such as where the owner has an indirect interest in Australia.

Tax treatment for non-renounceable rights

A retail premium payment you receive is an unfranked dividend. If you are a non-resident, the amount is:

- non-assessable non-exempt income
- subject to withholding tax.

For more information, see **Taxation Ruling TR 2012/1** *Income tax: retail premiums paid to shareholders where share entitlements are not taken up or are not available*.

QC 21832

Disposing of shares

Find out about disposing of shares, and capital gains and losses when you dispose of shares.

Last updated 23 June 2025

On this page

> [Capital gains and losses when disposing of shares]

How to dispose of shares

You can dispose of your shares in the following ways:

- selling them
- giving them away ([gifting shares])
- transferring them to a spouse as the result of a breakdown in your marriage or relationship
- through share buy-backs
- through mergers, takeovers and demergers
- because the company goes into liquidation.

It's important you keep records of acquiring and disposing of shares.

Capital gains and losses when disposing of shares

You are likely to make either a capital gain or capital loss when you dispose of your **shares**. You must report the total current year capital gains, net capital losses carried forward to later income years and the **net capital gain** in the tax return for the income year you dispose of the shares.

You make a **capital gain** when your capital proceeds are more than your **cost base** (costs of acquiring, owning and disposing of shares). Your capital proceeds are either the:

- money you receive when you sell your shares
- value of the shares when you gift your shares.

You may be able to reduce your capital gain if you either:

- owned your shares for at least 12 months
- gifted them to a deductible gift recipient, provided both
  - they are valued at less than $5,000
  - you acquired them at least 12 months earlier.

If the **capital proceeds** are less than the cost base, you will need to work out the **reduced cost base** first. Then, if the reduced cost base is:

- more than the capital proceeds, the difference is a **capital loss**
- less than the capital proceeds, there is neither a capital gain nor a capital loss.

You also make a capital loss on your shareholding when an administrator or liquidator makes a written declaration that a company's **shares are worthless**.

You are entitled to reduce your capital gains by capital losses, including any carry forward capital losses.

If you are carrying on a business of share trading and have losses on shares when you dispose of them, you may be able **to claim the loss** as a deduction in your tax return.

To see how to enter your capital gains or losses in myTax when you've disposed of shares, watch our video How to complete myTax when you have disposed of shares.

For a summary fact sheet about how capital gains tax applies to the sale of shares, go to the ATO Publication Ordering Service to download Capital gains tax on the sale of shares or units.

Shares you received as a gift

If you dispose of shares you received as a gift, you must use the shares' market value on the day that you received them as the first element of your cost base when working out your capital gain or loss.

Shares you give as a gift

If you give shares away as a gift, treat the shares as if you disposed of them at their market value on the day you gave this gift. This means a **capital gains tax (CGT) event** occurs and you must include any capital gain or loss in your tax return for the income year you gave away the shares.

Example: gifting shares

On 4 January 2025, Mark bought shares at a cost of $45,000, including brokerage.

On 18 June 2025, Mark gifts all of these shares to his wife. The shares have a market value of $50,000 on 18 June 2025.

Since this gift is a CGT event, Mark needs to calculate his capital gain or capital loss for the 2024–25 income year. He must use $45,000 as the cost base of the shares and $50,000 (the market value of the shares on the day he gifted them) as the capital proceeds. Therefore, Mark makes a capital gain of $5,000. Since he did not own these shares for at least 12 months, he doesn't qualify for a CGT discount of 50%. That is, Mark cannot reduce his capital gain of $5,000 by $2,500.

As he has no other CGT event, and no capital losses (in, or carried forward to, 2024–25), Mark enters the following at the capital gains question in his tax return:

- $5,000 at Total current year capital gains
- $5,000 at Net capital gain, this means $5,000 of net capital gain gets added to his assessable income.

However, if Mark had owned the shares for at least 12 months before gifting them, he would have been allowed (to his advantage) to reduce his capital gain by 50%. Therefore, he would have entered the following at the capital gains question in his tax return:

- $5,000 at Total current year capital gains
- $2,500 at Net capital gain, this means $2,500 of net capital gain gets added to his assessable income.

If you donate **shares with a value of $5,000 or less** to a deductible gift recipient (DGR), you may be able to claim a deduction.

The **Personal investors guide to capital gains tax** has more information and examples about gifting shares.

Bonus shares

If you dispose of **bonus shares** you received on or after 20 September 1985, you may:

- make a capital gain

- have to modify your existing shares' cost base and reduced cost base in the company.

Pre-CGT shares

If you acquired your shares before 20 September 1985, they are exempt from CGT. This means you don't need to calculate a capital gain or loss, and the disposal doesn't affect your tax.

You can include the sale or disposal of pre-CGT shares in your tax return. At the CGT exemptions and rollovers question, select **Capital gains disregarded as a result of the sale of a pre-CGT asset**.

QC 22813

Refund of franking credits for individuals

What are franking credits and when individuals are eligible for a refund of franking credits.

Last updated 23 June 2025

On this page

Dividends and franking credits

Australian-resident companies pay tax on dividends they pay to shareholders, this system is the 'imputation system'. This is because the company may impute or attribute the tax they pay to you. The tax they allocate to you attaches to the dividend they pay as a franking credit.

If your dividends are franked or partly franked, you need to let us know your:

- franked amount
- franking credit.

If you're an Australian resident, we'll use this information to:

- reduce your tax liability from assessable income, like wages , allowances, net capital gains, dividends and interest
- refund any franking credits to you after your tax and Medicare levy liabilities are met.

Eligibility for a refund

You're eligible for a refund of franking credits, if all of the following apply:

- You receive franked dividends, on or after 1 July 2000, either directly or through a trust or partnership.
- Your basic tax liability is less than your franking credits, after taking into account your eligibility to any other tax offsets.
- You meet our integrity rules, which are designed to ensure everyone pays their fair share of tax.

If you receive a dividend from a New Zealand company that pays Australian franking credits, you can claim the Australian franking credits.

Keeping records

You need to keep dividend statements from the:

- company that pays the franked dividend
- trust or partnership that makes the distribution containing the franking credit.

These statements should show the:

- franked amount
- unfranked amount
- franking credit
- date of payment
- tax withheld from the dividend.

Tax will be withheld from your dividend if both:

- the paying company doesn't have your TFN
- the dividend is partly or fully unfranked.

You must add the tax withheld to the unfranked dividend amount you declare in your tax return.

Integrity rules

You must meet the integrity rules to qualify for a refund.

For each parcel of shares, you must meet both the:

- holding period rule
- related payments rule.

You are a qualified person if you meet both the holding and related payments rules.

If your total franking credits entitlement for the income year is less than $5,000 you only need to meet the related payments rule.

You can only claim a franking credits tax offset for shares that satisfy the integrity rules. If you can't claim a refund, don't include those franking credits in your tax return.

Holding period rule

The holding period rule applies if your total franking credit entitlement for the income year is $5,000 or more.

Total franking credits entitlement of $5,000 or more

The holding period rule applies to **shares** bought on or after 1 July 1997. To be eligible for a franking tax offset you must hold the shares 'at risk' for at least 45 days. The period is 90 days for preference shares. Don't count the day of acquisition or disposal.

You only need to satisfy the holding period rule once for each share purchase. This rule applies when your total franking credit entitlement for the income year is $5,000 or more. This is roughly equivalent to receiving a fully franked dividend of either:

- $11,667 (for companies with a tax rate of 30%)
- $15,000 (for companies with a tax rate of 25%).

If you have more than $5,000 in franking credits from a single parcel of shares and didn't satisfy the holding period rule, you can't claim any franking credits tax offset for those franking credits. This means you can't limit your franking credit claim to a maximum of $5,000. If you can't claim a franking tax offset, don't include the franking credits in your tax return.

If you're a partner in a partnership or a beneficiary of a trust, both you and the partnership or trust must satisfy the integrity rules to be eligible for the refund of franking credits.

Total franking credits entitlement below $5,000 (small shareholder exemption)

Under the small shareholder exemption, ignore the holding period rule if all your franking credit tax offset entitlements for the income year are less than $5,000. This applies whether you receive the dividend or distribution directly from a shareholding, or indirectly through a trust or partnership. You still need to meet the related payments rule for each dividend payment.

Related payments rule

A related payment is a payment that passes on the benefit of the franked dividend to someone else.

It applies to you if you make, must make, or will likely make, a related payment. If this rule applies, you can't receive a franking credits tax offset even if you satisfy the holding period rule. You must satisfy the related payments test for each dividend payment or distribution for each parcel of shares in your share portfolio.

If you're a partner in a partnership or a beneficiary of a trust, both you and the partnership or trust must satisfy this rule to be eligible for the refund of excess franking credits.

Dividends from a partnership or trust

You are eligible for a refund of franking credits if you're a:

- resident individual
- partner in a partnership
- beneficiary of a trust.

If you are a partner in a partnership, you're entitled to the franking credit if all of the following apply:

- the partnership distributes a share of the net income or loss to you
- that share matches your interest in the partnership.

If you're entitled to franking credits, you can claim a franking credits tax offset which can be used to reduce your tax liability on other assessable income.

If you are a beneficiary of a trust and you get a franked distribution, you will be entitled to a share of the franking credit attached to that distribution if:

- the trust has net income greater than zero to distribute
- you are presently entitled to that income.

Your share of the franking credit will be shown on the distribution statement. If there are no franking credits on the statement, the distribution is an unfranked distribution and you aren't entitled to a franking credit tax offset.

If the trust doesn't make a distribution because it has no income to distribute, you can't claim any franking credits that the trust has in its accounts.

For more information, see **Franked distributions**.

Applying for a refund of franking credits

If you meet the eligibility criteria to apply for a refund of franking credits, there are several options to lodge depending on your circumstances.

If you're required to lodge a tax return, see the instructions for claiming franking credits:

- myTax 2025 Dividends
- 11 Dividends 2025 (paper).

If you don't need to lodge a tax return, see **How to apply for a refund of franking credits** for your options.

How to apply for a refund of franking credits

Lodgment options and how to use them to apply for a refund of franking credits.

QC 16183

How to apply for a refund of franking credits

Lodgment options and how to use them to apply for a refund of franking credits.

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On this page

With your individual tax return

If you need to lodge a tax return, you declare your dividend income, including unfranked amounts, franked amounts and franking credits. We use this information in your tax return to work out your franking credits and apply this to determine the tax payable or refundable on your assessment.

You don't have to do anything else.

If you don't need to lodge a tax return, you can claim a refund of your franking credits online, over the phone or by post. If you're eligible we will automatically refund your franking credits.

Online

You can apply online for a refund of your franking credits, you will need a myGov account and to link it to ATO online services.

To apply online, you need to:

- log into your ATO Online account
- select **Tax** from the menu at the top of the screen
- select **Lodgments**
- select **Refund of franking credits**.

When you lodge online we pre-fill your personal details and the dividend records third parties reported to us. You should check the information and add any missing details before you submit your application.

Most dividend records are available by late July, if you wait until then, most of your information will be available in pre-fill.

Once you complete and submit your application, you will receive an email a receipt confirming we have your application. Keep your franking credit documents with your other financial records, you don't need to send a copy to us.

We usually process online forms within 2 weeks (10 business days). To review your online form and details at any time, log in to our online services again.

Prior year applications for RFC

If you have franking credits from a prior income year, you also can claim these online.

To apply for a prior year online, you need to:

- log into your ATO Online account
- select **Tax** from the menu at the top of the screen
- select **Lodgments**
- select **Income tax**
- in the **Not lodged** tab, locate the income year not lodged
- select the link **Claim a refund of franking credits**.

Automatic refund of franking credits

During tax time 2025, we'll automatically refund franking credits to eligible individuals and issue a notice of assessment. To do this we use information that share registries report to us. Unless advised by us, eligible people won't need to apply for a refund of franking credits.

Eligibility for an automatic refund of franking credits

You may be eligible to receive an automatic refund of franking credits if you meet all the following criteria:

- you're over 60 years old on 30 June 2025
- we have your current postal address – you can check this on ATO online services
- you're not a tax agent client – you can check this on ATO online services
- you held the same parcel of shares for the last 2 income years
- you were a resident for tax purposes for the whole income year
- your total franking credit refund is not more than $5,460
- you don’t have to lodge a tax return due to other income you've received (for example, rental or personal services income, losses or deferred losses from primary or non-primary production, partnership or business income)

- your total dividend income is not more than $18,200 and your basic tax liability is less than your franking credits after considering your eligibility for any other tax offsets
- you didn’t lodge a TFN (employment) declaration during the last 2 income years
- your super income stream total taxed and untaxed amounts don’t exceed $100,000
- you don’t have any capital gains tax.

We base eligibility on your previous year’s information and other information banks, employers and others report to us. Even if you receive an automatic refund of franking credits in a prior year, you may not be eligible again if:

- your circumstances have change
- we later receive information that means you're no longer eligible.

If this happens, we'll notify you in writing that you're no longer eligible and you may need to lodge a tax return.

Who isn't eligible for an automatic refund of franking credits

You aren't eligible to receive an automatic refund of franking credits if, before the automatic process runs, you:

- lodge a tax return for 2024–25
- submit an application for a refund of franking credits
- are a tax agent client.

When we are notified of a person's death, we'll remove them from the automatic refund of franking credits process. Any dividend income and franking credits entitlement may be included when managing the deceased person's tax affairs.

How it works

Each year, we receive information from share registries, managed funds and other third-parties about dividends and investment holdings.

Once we receive the information we expect that relates to your previous share holdings, we calculate your refund and issue a notice of assessment. We will deposit your refund directly into your bank account.

If we don’t receive any information from share registries or other third-parties, we can't provide a refund or issue a notice of assessment. Where we don't receive information, you must lodge, before 31 October, either a:

- tax return
- application for refund of franking credits form.

If we receive some but not the information we expect, we'll refund these amounts to your bank account and issue a notice of assessment. If we receive further information later, we'll refund the subsequent amounts and issue an amended notice of assessment.

We issue refunds from mid-July, with most finalised by August, but the timing depends on when we receive the information. If you're eligible, we'll send you a letter or SMS in mid-June detailing the process and when to expect your refund.

If you don't want to receive an automatic refund, phone **13 28 65** (Fast Key Code **2, 2**) to opt out. Opting out doesn’t change your eligibility for future years.

If you aren't in the automatic program and want to apply for a refund of your franking credits, you can do this online, over the phone or by post.

Over the phone

You can complete a paper copy of **Application for refund of franking credits for individuals** and then lodge your form over the phone

Lodging by phone will take you approximately less than 7 minutes and we will process applications we receive by phone within 2 weeks (10 business days).

To lodge by phone:

- Complete the form, then phone us on **13 28 65** to lodge it. Have a copy of the form you complete with you.
- At the prompts, enter your tax file number (TFN), and then press **2**.

- After you verify your identity you will hear a series of automated questions asking you for the information on your application.
- Give your answers by speaking into the phone. Speak naturally, as in normal conversation. There is no need to slow down.
- If you need help with a question, say 'help'.
- If you need the system to repeat a question, say 'repeat'.
- If you hear a message saying 'I'm having trouble getting that', the system will ask you to try again, or the service might ask you to use your phone keypad instead. Wait for the question to finish, then speak clearly when answering.
- Listen carefully because at certain questions the information you provide will be read back to you to allow you to confirm it is correct. If you make a mistake you will have the opportunity to correct the details.
- If you hang up or must leave the phone call because of a problem with the system, we retain the information you provide until you return to continue with your lodgment.
- At the end of the lodgment you'll receive a receipt number. Write this number in the space provided on page 2 of your form.

Don't send the application you complete to us, keep it with your other financial records. We record your phone call in case we need to refer to it later.

Benefits of lodging by phone

- The service is available 24 hours a day, 7 days a week (to avoid busy periods, phone before midday, after 5:00 pm or on weekends).
- It is available from anywhere in Australia.
- Most refunds issue within 2 weeks (10 business days).
- It takes less than 7 minutes to lodge your application.

However, you can't use this service to lodge for prior income years – only for 2024–25.

By post

To lodge by post, you will need to complete a paper **Application for refund of franking credits for individuals.**

Once complete, post your application to:

AUSTRALIAN TAXATION OFFICE
GPO BOX 9845
[INSERT THE NAME AND POSTCODE OF YOUR CAPITAL CITY]

For example:

AUSTRALIAN TAXATION OFFICE
GPO BOX 9845
SYDNEY NSW 2001

It can take up to 50 business days to process claims we receive by post.

QC 104070

Children's share investments

If your child is under 18 years old and they buy shares, find out about quoting a TFN and declaring dividends.

Last updated 23 June 2025

On this page

Quoting a tax file number

When you buy shares, you have a choice whether you quote a tax file number (TFN).

If you quote a TFN, you pay taxes on the dividends when you lodge the tax return. If the shareholder is the:

- child, quote the child's TFN
- parent, as trustee for the child, and
  - no formal trust exists, quote the parent's TFN
  - there is a formal trust, quote the trust's TFN.

A child can apply for a tax file number (TFN) – there is no minimum age. Children are not exempt from quoting a TFN.

If you don't quote a TFN, pay as you go (PAYG) tax will be withheld at 47% from the unfranked amount of your dividend income.

Declaring dividends

Whoever rightfully owns and controls the shares declares the dividends and any net capital loss or gain from the sale of shares. You need to consider who:

- provides the money for the shares
- makes share decisions
- spends the dividend income.

If there are large amounts of money or a regular turnover, you might need to examine the ownership of the shares further, including finding more information to work out who should declare the dividends.

If parents or grandparents hold shares for a child, they are treated as the owners of the shares, unless the child is the genuine beneficial owner. If the child is the beneficial owner, you should declare the dividends in the child's tax return.

Income from shares is treated differently to income from interest (for example, from **Children's savings accounts**).

Example: parent uses dividends

Peter withdraws $3,000 from his own bank account to buy shares in the name of his daughter Georgia. Peter quotes his TFN when he buys the shares.

He deposits the dividend of $200 into his own bank account and uses it for his own personal expenses.

Peter declares the $200 in his tax return. When he sells the shares, he will also declare any capital gain or loss.

Example: dividends reinvested for child

Sara buys shares for her child, Michael, with money given to him for his birthday. Sara holds the shares for the benefit of Michael with the share broker until he turns 18. No formal trust deed has been created. Sara quotes Michael's TFN when she buys the shares.

All dividends have been reinvested through a dividend reinvestment plan.

The dividends are declared in Michael's tax returns.

When Michael turns 18 years old, the shares will be transferred to him through an off-market transfer. As he remains the beneficial owner of the shares, there will be no capital gain or loss for either Sara or Michael on the transfer.

Lodging a tax return

If your child owns shares and earns more than $416, you must **lodge a tax return** on their behalf.

If your child earns $416 or less, you may need to either:

- lodge a tax return on their behalf if too much PAYG tax was withheld
- claim a **refund for franking credit** by lodging a tax return or completing an *Application for refund of franking credit*.

In some circumstances children's income is taxed at the highest marginal rate. For more information about tax rates for people under 18, see **Your income if you are under 18 years old**.

Example: declaring dividends in child's tax return

Simon withdraws $5,000 from his bank account to buy shares in the name of his son Jordan. He quotes Jordan's TFN when he buys the shares.

Simon makes all the decisions about those shares as Jordan is only 3 years old.

All dividend income and any profit from the sale of those shares are deposited into a bank account in Jordan's name with Simon as trustee.

The dividends and capital gains are declared in Jordan's tax return.

Example: child with part-time job

Jenny buys shares on behalf of her daughter, Talia, with money saved from Talia's part-time job, plus money received for Talia's birthday. Talia and Jenny decide not to quote Talia's TFN.

Dividends of $500 are deposited in Talia's bank account.

Talia declares the $500 in her tax return. She will need to make an adjustment in her tax return so that the proportion of the dividend that relates to shares acquired with her employment income is taxed at normal tax rates. The proportion that relates to shares acquired with the gift money is taxed at a higher rate. When those shares are sold, any capital gain or loss from the sale will belong to Talia.

QC 16210

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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