Franking account tax return & instructions 2005

Franking account tax return and instructions 2004–05.

2 April 2020

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Who must lodge a franking account tax return?

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The *Franking account tax return 2005* must be completed for all Australian corporate tax entities and New Zealand franking companies that have:

- a liability to pay franking deficit tax (FDT), and/or
- a liability to pay over-franking tax (OFT), and/or
- an obligation to disclose information to the Commissioner of Taxation in relation to any significant variation in their benchmark franking percentage.

If there is such a liability or disclosure obligation, the entity is required to complete Section A and the remaining labels on the franking account tax return that are relevant to that liability and/or obligation. If there is no such liability or disclosure obligation, lodgment of this tax return is not necessary.

An entity is a corporate tax entity for the purposes of Part 3-6 of the *Income Tax Assessment Act 1997* at a particular time if the entity is a company at that time, or a corporate limited partnership, corporate unit trust or a public trading trust in relation to the income year in which that time occurs.

A company is a New Zealand franking company if the company:

- is a New Zealand resident, and
- has made an election to join the Australian imputation system.

The Australian imputation rules generally apply to a New Zealand franking company in the same way as they apply to an Australian corporate tax entity.

Period boxes 'or specify if part year or approved substitute period'

The Franking account tax return 2005 is for the period 1 July 2004 to 30 June 2005. Please complete the period boxes with the start of the period covered by this tax return to the end of the period if:

- the entity is an early balancing corporate tax entity, or
- the entity is a **late balancing** corporate tax entity (see note), or
- the entity ceases to be a franking entity part way through its income year or, in the case of a New Zealand franking company, its election to join the Australian imputation system is revoked or cancelled part way through its income year.

An early or **late balancing** corporate tax entity is one that has obtained the Commissioner's permission to use an income year that ends on a date other than 30 June. These companies are granted an approved substituted accounting period (SAP) which is in lieu of an income year ending on 30 June (the standard income year).

Generally, an early balancing corporate tax entity is one that has its 2004-05 income year end before 30 June 2005, while a **late balancing** corporate tax entity generally has its 2004-05 income year end after 30 June 2005. For more information on SAPs, see Taxation Ruling IT 2360_ Income tax: substituted accounting periods.

Example 1

MHO Ltd has an approved substituted accounting period ending on 30 September 2005 in lieu of 30 June 2005 - that is, MHO Ltd is a late balancing corporate tax entity. MHO Ltd does not elect to have its franking deficit tax liability determined on a 30 June basis. At the end of the day on 30 September 2005, MHO Ltd has a debit balance in its franking account and consequently it has a liability to pay franking deficit tax. MHO Ltd would complete the period boxes as follows:

01/10/2004 to 30/09/2005 or specify period if part year or approved substitute period

Note: A late balancing corporate tax entity that has elected to have its FDT liability determined on a 30 June basis must complete the period boxes with 01/07/2004 to 30/06/2005.

Important messages for late balancing corporate tax entities that elect to have their FDT liability determined on 30 June

A **late balancing** corporate tax entity has the option to choose to have its franking deficit tax liability, if any, determined on a 30 June basis, rather than at the end of its income year. For more information, see Franking deficit tax liability for late balancing corporate tax entities.

If a **late balancing** corporate tax entity makes this choice and it has a debit balance in its franking account on 30 June 2005, then it will be required to lodge a Franking account tax return 2005 to account for this franking deficit tax liability, on or before 31 July 2005. This same entity will also be required to lodge a subsequent franking account tax return within one month after the end of its income year if it has to:

- account for any over-franking tax liability, and/or
- disclose any significant variation in its benchmark franking percentage between franking periods.

The over-franking tax liability, if any, must be paid by the last day of the month immediately following the end of the income year. For more information on over-franking tax and the disclosure obligation, see Over-franking tax and Section C Significant variation in benchmark franking percentage.

Section A

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Complete the entity's name, address and Australian business number and the remaining labels in Section A. All parts of Section A must be completed for this franking account tax return to be complete.

Is this a subsequent franking account tax return for the income year?

Only answer yes if this is a subsequent franking account tax return that is being lodged because either:

- the corporate tax entity has received a refund of income tax that affects its franking deficit tax liability - see A refund of income tax affecting a franking deficit tax liability, or
- the corporate tax entity is a **late balancing** entity that
  - elected to have its franking deficit tax liability determined on 30 June
  - was required to lodge a franking account tax return on or before 31 July 2005 disclosing a franking deficit tax liability, and
  - has an over-franking tax liability and/or an obligation to disclose a significant variation in its benchmark franking percentage.

If this is a subsequent franking account tax return for the income year, print **X** in the **yes** box at this question; otherwise print **X** in the **no** box.

For more information, see Over-franking tax and Section C Significant variation in benchmark franking percentage.

What is your franking account balance at the end of the period?

Write the amount of your entity's franking account balance (including nil balances) at the end of the income year (or the 12 month period ending on 30 June) or immediately before it ceased to be a franking entity or, in the case of a New Zealand franking company, its election to join the Australian imputation system is revoked or cancelled. In the code box next to the amount, print **S** if you have a surplus or **D** if you have a deficit.

What is your venture capital sub-account balance at the end of the period?

If your entity is a pooled development fund (PDF) or it ceased to be a PDF during the income year, write the amount of your venture capital sub-account balance (including nil balances) at the end of the income year (or the 12 month period ending on 30 June) or immediately before the entity ceased to be a PDF. In the code box next to the amount, write **S** if you have a surplus or **D** if you have a deficit. If your entity is not a participating PDF and you do not know the balance of your venture capital sub-account, print **unknown** instead of the amount.

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Section B - Franking deficit tax and over-franking tax

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Credits that arose in your franking account

Show at **A** the total franking credits that arose in the franking account for the period to which this franking account tax return relates. This amount is the total of all franking credits that arose in the franking account during the income year (or the 12 month period ending on 30 June for certain **late balancing** corporate tax entities).

The amount at **A** should reflect a 'tax paid' basis. As a result of the introduction of the simplified imputation system on 1 July 2002, all corporate tax entities are required to maintain a franking account that reflects a 'tax paid' basis. Consequently, the former class C franking account balance, which reflected a 'taxed income' basis, had to be converted on 1 July 2002. For more information on how to convert the class C franking account balance, see:

- Franking account, and
- Franking period

Total franking credits for subsidiary members moving in and out of the consolidation regime

When a corporate tax entity becomes a subsidiary member of a consolidated group, it must determine its franking account balance just before the time of entry (the 'joining time'). If the subsidiary has a deficit balance in its franking account just before the joining time, it is liable to pay franking deficit tax. The period during the income year before the joining time or after exit from the consolidated group is a 'non-membership period'. If there is a liability to pay franking deficit tax the subsidiary must show at **A** the total franking credits that arose during the non-membership period ending immediately before the joining time. During the period in which a corporate tax entity is a subsidiary member of a consolidated group, its franking account is inoperative.

Where a corporate tax entity has operated outside the group for more than one non-membership period during a particular income year, the amount of franking credits that arose for that year is worked out by calculating the amount of franking credits that arose for each non-membership period. The subsidiary member's total franking credits received for the income year, shown at **A**, is the total of each of the credits that arose in each non-membership period.

Note: The amount shown at A Credits that arose in your franking account for the period in this franking account tax return does not necessarily equal the amount shown at J Franking credits item 7 on the Company tax return 2005. Amounts at A relate to all the franking credits that arose in the franking account during the period to which this franking account tax return relates. By contrast, J item 7 on the company tax return relates only to franking credits that arose because of franked distributions received during the income year.

Franking deficit tax

Under the simplified imputation system a liability to pay franking deficit tax will arise where one of the following occurs:

- A corporate tax entity has a franking deficit in its franking account at the end of its income year, or at the time it ceases to be a franking entity or, in the case of a New Zealand franking company, its election to join the Australian imputation system is revoked or cancelled.
- Just before the entity becomes a subsidiary member of a consolidated group the subsidiary has a franking deficit in its franking account.
- A corporate tax entity receives certain refunds of income tax within three months after the end of the income year, or within three months after it ceases to be a franking entity, and a franking deficit (or an increase in a franking deficit) would have arisen if the refund had been received in the income year. For more information, see A refund of income tax affecting a franking deficit tax liability.

A franking entity is a corporate tax entity that is not a mutual life insurance company. Where the entity is a company that is a trustee of a trust, it will be a franking entity at a particular time if it is not acting in its capacity as trustee of the trust at that time.

A **late balancing** corporate tax entity that elects to have its franking deficit tax determined on a 30 June basis will be liable to pay franking deficit tax where a franking deficit exists at the end of 30 June or immediately before it ceases to be a franking entity or, in the case of a New Zealand franking company, its election to join the Australian imputation system is revoked or cancelled. It will also be liable to pay franking deficit tax if it receives certain refunds of income tax within three months of the period ending on 30 June - see A refund of income tax affecting a franking deficit tax liability. See also Important messages for late balancing corporate tax entities that elect to have their FDT liability determined on 30 June.

A franking deficit exists where the total franking debits exceed the total franking credits.

Show at **B** the sum of the amounts of the franking deficit in the franking account:

- at the end of the income year (or the 12 month period ending on 30 June) or at the time the entity ceased to be
a franking entity or, in the case of a New Zealand franking company,

its election to join the Australian imputation system is revoked or cancelled, taking into account any refunds taken to have been received in that period (see A refund of income tax affecting a franking deficit tax liability), and

- if applicable, just before the entity becomes a subsidiary member of a consolidated group.

This is the amount of franking deficit tax that is payable.

Note: If you are required to complete F - see A refund of income tax affecting a franking deficit tax liability- then you must include the amount shown at F (if any) in the amount at B.

Franking deficit tax liability for subsidiary members moving in and out of the consolidation regime

Where a corporate tax entity becomes a subsidiary member of a consolidated group it must determine its franking account balance just before the time of entry (the 'joining time'). If the subsidiary has a franking deficit in its franking account just before the joining time, it is liable to pay franking deficit tax. Include at **B** the amount of franking deficit in the franking account just before the joining time.

Where a corporate tax entity has operated outside the group for more than one period during a particular income year, the amount of franking deficit tax liability that arose for that year is worked out by calculating the amount of franking deficit balance that was in the franking account just before each of the joining times. Include at **B** the total of the deficit balances that were in the subsidiary member's franking account just before each of the joining times.

Note: Where a corporate tax entity has more than one non-membership period during a particular income year, please attach a letter to the franking account tax return detailing the amount of credits that arose in your franking account and the franking tax liability for each non-membership period. Also provide the name of the head company of each consolidated group of which your company was/is a member. We need this information to process your franking account tax return correctly.

Example 2

ABC Ltd has an income year from 1 July 2004 to 30 June 2005. On 1 October 2004, ABC Ltd became a subsidiary member of a consolidated group and then exited the group on 1 February 2005. On 1 April2005, ABC Ltd became a member of another consolidated group and, as at 30 June 2005, it was still a member of this other consolidated group.

In calculating its franking deficit tax liability for the income year, ABC Ltd must determine the deficit balances that it had in its franking account just before it joined each of the consolidated groups.

ABC Ltd's non-membership periods, the franking deficit balances and the total franking credits that arose during each non-membership period are as follows:

Non-membership period	Balance in franking account just before the joining time	Total franking credits during non-membership period
1 July 2004 to 30 September 2004	$500 Dr - a franking deficit	$200 Cr
1 February 2005 to 31 March 2005	$400 Dr - a franking deficit	$100 Cr

ABC Ltd would show the total franking credits that arose in the franking account for each non-membership period ($300) at A and the total of the franking deficit tax balances ($900) at **B**. ABC Ltd would also provide the information in the above table as an attachment to the franking account tax return including the name of the head company of each consolidated group of which it was/is a member.

A refund of income tax affecting a franking deficit tax liability

An entity is taken to have received an income tax refund for an income year immediately before the end of the income year or immediately before it ceased to be a franking entity if:

- the refund is paid within three months after the end of the income year or within three months after it ceased to be a franking entity (and it is attributable to a period in the year during which the entity was a franking entity), and
- the franking account would have been in deficit, or in deficit to a greater extent, at the end of that income year or immediately before it ceased to be a franking entity, had the refund been received during the income year or before the entity ceased to be a franking entity.

This rule ensures that an entity does not avoid franking deficit tax by deferring the time at which a franking debit occurs in its franking account.

Some **late balancing** corporate tax entities may elect to have their franking deficit tax liability determined on 30 June. If a **late balancing** corporate tax entity makes this election it will be taken to have received an income tax refund immediately before 30 June or immediately before it ceased to be a franking entity if:

- the refund is received either within three months after 30 June, or within three months immediately after it ceased to be a franking entity, and
- the refund is attributable to the 12 month period ending on 30 June, or is attributable to a period within that 12 months during which the entity was a franking entity, and
- the franking account would have been in deficit, or in deficit to a greater extent, at the end of 30 June or immediately before it ceased to be a franking entity, had the refund been received immediately before 30 June, or immediately before it ceased to be a franking entity.

If you receive a refund of the kind explained above and you are already obliged to lodge (and have not yet lodged) a franking account tax return, then you can account for the refund and your other liabilities or obligations in a single return. If you do not account for the refund in that single return, then you need to account for it in a further return. If you do account for the refund in a further return:

- print **X** in the **ye**s box at Section A, **Is this a subsequent franking account tax return for the income year?**, and
- show the amount of the franking deficit tax attributable to the refund of income tax in **Section B, F Franking deficit tax attributable to refund**. Do not complete **F** unless this franking account tax return is a further return. Remember, you must include the amount shown at **F** (if any) in the amount at **B**.

Amount of franking deficit tax

If, before receipt of the refund, there is a franking deficit at the end of the income year (or the 12 month period ending on 30 June) or immediately before the entity ceased to be a franking entity, then the amount of the franking deficit that should be shown at **B** is that deficit plus the refund.

If, before receipt of the refund, there is no franking deficit at the end of the income year (or the 12 month period ending on 30 June) or immediately before the entity ceased to be a franking entity, then the franking deficit that should be shown at **B** is the amount of the refund reduced by the franking surplus (if any) existing at that time.

Note: If you have completed F then the amount shown at that label must be included in the amount shown at B. Any franking deficit tax that you have already paid will be taken into account.

Lodgment and payment date

The time for lodgment of a franking account tax return that accounts for a refund of income tax will depend upon whether a franking account tax return is outstanding at the time the refund is received.

A franking account tax return is an **outstanding return** at the time a refund of income tax is received if:

- you are required to lodge a franking account tax return (for example, because the entity's franking account was in deficit at the end of its income year or immediately before it ceased to be a franking entity), and
- the time for lodging its franking account tax return has not yet passed, and
- the franking account tax return has not yet been lodged.

For certain **late balancing** corporate tax entities that elect to have their franking deficit tax liability determined on a 30 June basis a franking account tax return is outstanding if:

- you are required to lodge a franking account tax return (for example, because the entity's franking account was in deficit at the end of 30 June or immediately before it ceased to be a franking entity), and
- the time for lodging its franking account tax return has not yet passed, and
- the franking account tax return has not yet been lodged.

If there is no outstanding return when a refund is received, then the franking account tax return that accounts for the refund must be lodged and any franking deficit tax liability must be paid no more than 14 days after the refund has been received.

If there is an outstanding return when the refund is received, then the outstanding return has to be lodged and any franking deficit tax or over-franking tax paid by the last day of the month following the end of the income year (or the 12 month period ending on 30 June). The refund may or may not be accounted for in the outstanding return. If it is not accounted for in that return then an additional return is required. This additional return has to be lodged (and the additional franking deficit tax has to be paid) within 14 days after the refund was received.

Portion of current year FDT able to be offset

The franking additional tax provisions have been replaced with a modified franking deficit tax offset entitlement. The franking deficit tax offset entitlement is the amount that a corporate tax entity is allowed to claim as an offset against future income tax liabilities.

Where a company has a franking deficit in its franking account at the end of its income year (or 30 June for certain **late balancing** corporate tax entities) and its franking deficit tax liability is **greater than** 10% of the total franking credits that arose in the franking account during the income year (or for certain **late balancing** entities the 12 month period ending on 30 June), then the amount of franking deficit tax offset that the corporate tax entity is entitled to because of the franking deficit is calculated as follows:

Franking deficit tax liability – (Franking deficit tax liability × 30%)

This reduced amount of franking deficit tax offset entitlement equals the portion of franking deficit tax that is offsetable because of the current year's deficit only. This amount should be recorded at **C**.

Note: The amount shown at C of this franking account tax return is only step 1 in the calculation to determine the whole amount that you are entitled to as an FDT offset against any income tax liabilities arising in the **Company tax return 2005**. See the **Company tax return instructions 2005** (NAT 0669-6.2005) for more information on how to calculate this amount.

Proposed changes to FDT offset rules

Reduced amount of FDT offset entitlement

You may need to provide an attachment to the *Franking account tax return 2005* because of proposed changes to the law relating to FDT offsets.

On 11 May 2004, the Government announced that it would amend the simplified imputation system to ensure that, in certain situations, private companies that pay franked distributions will not have their franking deficit tax offset reduced in respect of the income year in which they first incur an income tax liability.

Tax Laws Amendment (2005 Measures No. 2) Bill 2005, which contains the amendments to the simplified imputation system, was introduced into Parliament on 17 March 2005. As introduced, the Bill provides that the amendments will apply in relation to the income year in which the Bill receives Royal Assent and to later income years. At the time of printing these instructions, the Bill had not been enacted.

Please provide an attachment to the *Franking account tax return 2005* if:

- the above calculation results in a reduced amount of franking deficit tax offset entitlement
- the entity is a private company for the income year, and
- the company has not had an income tax liability for any prior income year (for example, because this is the company's first year of taxable operation).

The attachment must indicate that all the above criteria have been met and must be signed and dated by an authorised person.

For further information on the application and status of these amendments, see **Franking deficit tax**.

Further changes to the FDT offset rules announced in 2005 Budget

In Press Release 30/2005 of 10 May 2005, the Minister for Revenue and Assistant Treasurer announced that the Government will modify the FDT offset rules to remove some unintended consequences.

The modifications proposed will apply from 1 July 2002 and will ensure that:

- the FDT offset penalty will apply only for those income years in which a corporate tax entity franks a distribution during the income year for which the franking deficit arises
- franking debits arising as a result of the application of a penalty provision in the income tax law will be disregarded when determining the amount of an entity's tax offset arising from its franking deficit tax liability, and
- full FDT offset will be allowed where, broadly, events that caused excessive over-franking were outside the company's control or were unanticipated, and did not involve any broader exploitation of the imputation system.

At the time of printing, legislation to give effect to these changes had not been introduced into Parliament. Once these rules are enacted, the Tax Office will contact you if they apply to you.

For further information on the application and status of these amendments, see **Franking deficit tax**

Example 3

At the end of its income year, NYC Ltd had a franking deficit of $30 in its franking account. During the income year NYC Ltd generated total franking credits of $100. As NYC Ltd's franking account was in a $30 deficit position at the end of its income year it is liable to pay franking deficit tax of $30. NYC Ltd will show this amount at B.

In addition to this, as the franking deficit tax of $30 is greater than 10% of the total franking credits that arose in its franking account during the income year (ie $100 × 10% = $10), NYC Ltd's franking deficit tax offset entitlement for the current year must be reduced to $21 (ie $30 − ($30 × 30%)). NYC Ltd must record this amount at C.

Note: If the franking deficit tax liability is less than or equal to 10% of the total franking credits that arose in the franking account during the income year (or for certain late balancing entities the 12 month period ending on 30 June), then the full amount of franking deficit tax liability recorded at B can be used to calculate the franking deficit tax offset that the corporate tax entity is entitled to because of the current year's deficit. This same amount should be recorded at C.

Over-franking tax

Where the franking percentage for a distribution exceeds the benchmark franking percentage, liability for over-franking tax arises unless the Commissioner has made a determination permitting the over-franking.

Show at **D** the amount of over-franking tax worked out using the following formula:

> Franking % differential × amount of the frankable distribution × (30 ÷ 70)

if the franking % differential is the difference between the franking percentage for the frankable distribution and either:

- the entity's benchmark franking percentage for the franking period in which the distribution is made, or
- the franking percentage permitted by the Commissioner in a determination allowing the corporate tax entity to depart from the benchmark rule.

For more information, see Benchmark rule.

Example 4

OFT Pty Ltd made a distribution of $500 to its members and allocated franking credits of $214 resulting in a franking percentage of 100%. The benchmark franking percentage for the franking period was 50%. As OFT Pty Ltd has franked the distribution to more than the benchmark percentage it will be liable to over-franking tax calculated as follows:

100% − 50% × $500 × (30 ÷ 70) = $107

The $107 over-franking tax will be shown in D.

Example 5: Late balancing entity that had its franking deficit tax liability determined on 30 June and now has an over-franking tax liability

Felix Ltd is a public company that has an approved substituted accounting period ending on 30 September 2005 in lieu of 30 June 2005. Felix Ltd, being a late balancing corporate tax entity, elected to have its franking deficit tax liability determined on a 30 June basis. On 30 June 2005 Felix Ltd had a deficit balance of $100 in its franking account. Felix Ltd is required to lodge a *Franking account tax return 2005* disclosing this liability on or before 31 July 2005.

In addition to this, Felix Ltd had an over-franking tax liability of $150 for its first franking period (1 October 2004 to 31 March 2005) and then $200 for its second franking period (1 April 2005 to 30 September 2005). Felix Ltd is required to lodge a subsequent *Franking account tax return 2005* disclosing this over-franking tax liability of $350 at **D**, by 31 October 2005. In addition, Felix Ltd must print **X** in the yes box at Section A, **Is this a subsequent franking account tax return for the income year?**

Total tax payable

After completing Section B, add up the amounts shown at **B** (or, if the franking account tax return is a further return, **F**) and **D** and write the total at **E** Total tax payable. This is the amount the entity has to pay. See [Payment slip] and [Lodgment and payment requirements].

Note: The amount completed at Section B, A Credits that arose in your franking account in this return does not necessarily equal the amount on the **Company tax return 2005** at J Franking credits item 7. Amounts in A relate to all the franking credits that arose in the franking account during the income year. By contrast, J item 7 in the company tax return relates only to franking credits you received that were attached to franked distributions received during the income year.

The amount completed at Section B, C Offsetable portion of current year FDT in this return will not necessarily be the same as the amount shown at E Franking deficit tax offset in the Calculation statement of the **Company tax return 2005. Company tax return instructions 2005** for information on how to complete E Franking deficit tax offset.

For more information on the franking deficit tax offset refer to:

- **Franking deficit tax**
- **Franking deficit tax liability for late balancing corporate tax entities**

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Section C - Significant variation in benchmark franking percentage

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Franking period

Generally, a franking period for a corporate tax entity that is a private company is the same as its income year.

For corporate tax entities that are not private companies there are generally two franking periods in an income year. The first franking period is the first six months beginning at the start of the entity's income year and the second franking period will be the remainder of the income year.

For more information on the franking period rules refer to:

- Benchmark rule
- Franking period

Was there a significant variation in benchmark franking percentage between franking periods?

Where a corporate tax entity has a significant variation in its benchmark franking percentage between franking periods it has an obligation to disclose this information to the Commissioner. A significant variation will occur where the benchmark franking percentage for the current franking period has increased or decreased by more than the following amount:

> Number of franking periods starting immediately after the last franking period in which a frankable distribution was made (the last relevant franking period) and ending at the end of the current franking period × 20 percentage points

For a corporate tax entity that makes a frankable distribution in every franking period, the effect of the above formula is that a significant variation will occur where the benchmark franking percentage increases or decreases between franking periods by more than 20 percentage points.

Examples 6 and 7 will help you to work out if there was a significant variation in your entity's benchmark franking percentage between franking periods.

If there was a significant variation, print **X** in the **yes** box at **Was there a significant variation in benchmark franking percentage between franking periods?** on the franking account tax return and complete the rest of Section C.

Note: For the purposes of recording the benchmark franking percentage at **G** to **J**, the value stated should be worked out to two decimal places, rounding up if the third decimal place is 5 or more.

If there was no significant variation, print **X** in the **no** box at **Was there a significant variation in benchmark franking percentage between franking periods?** You do not have to complete the rest of Section C.

Example 6: Corporate tax entity with two franking periods

XYZ Ltd, a public company, has an income year which started on 1 July 2004 and ended on 30 June 2005. Its franking periods and benchmark franking percentage for the year ended 30 June 2005 were:

Franking period	Date	Benchmark franking percentage
Franking period 1	1 July 2004 to 31 December 2004	50.455
Franking period 2	1 January 2005 to 30 June 2005	100.000

Franking period 1 is the last relevant franking period and franking period 2 is the current franking period.

The entity's franking percentage for franking period 2 is 100%. This is an increase in the benchmark franking percentage for franking period 1 by an amount that is greater than 20 percentage points, resulting in a significant variation in the benchmark franking percentage. XYZ Ltd has an obligation to disclose this information on the franking account tax return. It would print **X** in the **yes** box at **Was there a significant variation in benchmark franking percentage between franking periods?** and complete the benchmark franking period boxes as follows:

Benchmark franking period Franking period A 01/07/2004 to 31/12/2004 Label G Benchmark franking percentage: 50.46% Franking period B 01/01/2005 to 30/06/2005 Label H Benchmark franking percentage: 100%

Example 7: Private company

ABC Pty Ltd is a private company that has an income year from 1 July 2004 to 30 June 2005. A private company generally has the same franking period as its income year - therefore ABC Pty Ltd's first franking period was from 1 July 2003 to 30 June 2004. During the 2003-04 income year ABC Pty Ltd's benchmark franking percentage was 60%.

The company's second franking period is 1 July 2004 to 30 June 2005. During this income year ABC Pty Ltd's benchmark franking percentage was 30%. ABC Pty Ltd would have to complete Section C in the franking account tax return as its benchmark franking percentage decreased by more than 20 percentage points in the franking period for the 2004-05 income year. ABC Pty Ltd would print **X** in the **yes** box at **Was there a significant variation in benchmark franking percentage between franking periods?** and complete the benchmark franking period boxes as follows:

Benchmark franking period Franking period A 01/07/2003 to 30/06/2004 Label G Benchmark franking percentage: 60% Franking period B 01/07/2004 to 30/06/2005 Label H Benchmark franking percentage: 30%

For more information on the benchmark franking percentage and the disclosure rule, see:

- Benchmark rule
- Franking distributions

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Lodgment and payment requirements

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When to lodge

Generally, the franking account tax return must be lodged and the franking deficit tax liability and/or over-franking tax liability must be paid on the last day of the month following the end of the income year.

Late balancing corporate tax entities that elect to have their franking deficit tax liability determined on 30 June each year must lodge a franking account tax return by 31 July each year. This date is the date by which the franking deficit tax is payable. Please note that there are different lodgment obligations in relation to over-franking tax liabilities and disclosure obligations for these entities. For more information, see Important messages for late balancing corporate tax entities that elect to have their FDT liability determined on 30 June.

There are some different lodgment and payment rules that arise in relation to certain refunds received within three months after:

- the end of the income year (or the period ending 30 June for certain **late balancing** corporate tax entities), or
- a corporate tax entity ceases to be a franking entity.

For more information on these different lodgment and payment rules, see A refund of income tax affecting a franking deficit tax liability.

Subsidiary members of a consolidated group, where the head company has not notified the tax office of the group's formation, may still be obliged to lodge a franking account tax return and pay any franking tax liability. Until the Tax Office receives notification of the group's formation this obligation will still exist. If the subsidiary member believes it will not have an obligation to lodge a franking account tax return because it will be a member of a consolidated group for the full income year, it may request a deferral of time to lodge.

If the company does not subsequently form part of a consolidated group, the company will have to lodge a return and pay any franking tax amount owing. GIC may be applied back to the original due date.

If the company lodges a return and pays its franking tax liability on the due date and subsequently the head company notifies the Tax Office that the company was a subsidiary member for the full year, the subsidiary member will need to contact the Tax Office to amend the return to zero and request a refund of any franking tax amount paid for this return.

Where to lodge

Post your franking account tax return with your payment to:

Australian Taxation Office
Locked Bag 1793
Penrith NSW 1793

How to pay

Payments cannot be made at Australia Post using the payment slip on this tax return. However, you can make payments as follows:

By post: Send your payment, together with the completed tax return, to the above address. Do not send cash or use pins or staples. Make cheques or money orders payable to the Deputy Commissioner of Taxation, crossed 'Not negotiable'.

By BPAY : Pay by phone or internet from your cheque or savings account. Quote 'Biller code 75556' and your EFT code as the customer reference. Your EFT code can only be obtained by phoning **1800 815 886**.
Registered to BPAY Pty Ltd ABN 69 079 137 518

By direct credit: Use your internet banking third party/pay anyone option or banking software package to pay into:

Bank: Reserve Bank of Australia
BSB no: 093 003
Account no: 316 385

Record your EFT code in the lodgment reference field. To obtain your EFT code or for more details phone **1800 815 886**.

Note: If you choose to pay by BPAY or direct credit you must still lodge your completed franking account tax return at:

Australian Taxation Office
Locked Bag 1793
Penrith NSW 1793

More information

2 April 2020

Infolines

- **Personal tax 13 28 61** Individual income tax and general personal tax enquiries, including capital gains tax.
- **Business tax 13 28 66** General business tax enquiries including capital gains tax, GST rulings, Australian business number (ABN), pay as you go (PAYG) instalments, business deductions, activity statements (including lodgment and payment), accounts and business registration (including Australian business number and tax file number), dividend and royalty withholding tax.
- **Superannuation 13 10 20**.
- **Fax 13 28 60** Get information faxed to you about individual taxes and the repayment of debts under the Higher Education Contribution Scheme (HECS), the Higher Education Loan Programme (HELP) and the Student Financial Supplement Scheme (SFSS). Phone **13 28 60** and follow the instructions to order information to be faxed to you.

Other services

- **Translating and Interpreting Service 13 14 50** If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service for help with your call.
- If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77.**
- If you do not have access to TTY or modem equipment, phone the **Speech to Speech Relay Service 1300 555 727.**

To get any publication referred to in this guide:

- visit our website at www.ato.gov.au/publications for publications, taxation rulings, practice statements and forms
- phone our Publications Distribution Service on **1300 720 092**

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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.