Refund of franking credits information – 2012–13

Information on refund of franking credits 1 July 2012 to 30 June 2013 (NAT 6716).

Last updated 10 February 2017

Franking credits attached to the franked dividends received by your organisation may be refundable, provided certain eligibility criteria are met, and your organisation is any of the following:

- a charity endorsed by us as exempt from income tax
- a fund endorsed by us as an income tax exempt fund
- a deductible gift recipient
- a developing country relief fund
- an exempt institution that is eligible for a refund under an Australian Government law other than the income tax law.

Franking credits arise for shareholders when certain Australian-resident companies pay income tax on their taxable income and distribute their after-tax profits by franked dividends. These franked dividends have franking credits attached. Franked dividends are received either directly as a shareholder or indirectly as a beneficiary of a trust.

Non-profit organisations that receive a dividend from a New Zealand (NZ) company with Australian franking credits attached to it will be able to obtain a refund of those credits, if they would have been able to obtain a refund had the dividend been paid by an Australian company.

NZ franking credits cannot be claimed.

If the NZ company that paid the dividend has not specified that the franking credit is Australian, you should contact the company to work out if it is an Australian or NZ franking credit. In most cases, if it is not specified as Australian, it will be a NZ franking credit.

Eligibility for a refund

Eligibility for a refund of franking credits for 1 July 2012 to 30 June 2013.

Applying for a refund of franking credits

Applying for a refund of franking credits for 1 July 2012 to 30 June 2013.

Anti-avoidance rules

Anti-avoidance rules that apply to a refund of franking credits for 1 July 2012 to 30 June 2013.

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Eligibility for a refund

Eligibility for a refund of franking credits for 1 July 2012 to 30 June 2013.

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Eligible endorsed income tax exempt entities

To be eligible for a refund of franking credits, an entity must meet all of the following requirements:

- have an Australian business number (ABN)
- satisfy the residency requirement
- be a charity endorsed by us to access income tax exemption or be endorsed by us as an income tax exempt fund.

Eligible deductible gift recipients

To be eligible for a refund of franking credits, a deductible gift recipient (DGR) must meet all of the following requirements:

- have an ABN
- satisfy the residency requirement
- be endorsed by us as a DGR in its own right or be a DGR listed by name in the *Income Tax Assessment Act 1997*.

A DGR must be endorsed in its own right. It is not sufficient if your DGR is only endorsed in relation to a fund, authority or institution that it operates, such as a school building fund.

Residency requirements

A non-profit organisation will satisfy the residency requirement if, at all times during the income year for which it is applying for a refund, the organisation meets both of the following requirements:

- it has a physical presence in Australia
- to the extent that it has a physical presence in Australia, it incurs its expenditure and pursues its objectives principally in Australia.

Check if your organisation is eligible

To check if your organisation is a DGR, a charity endorsed to access income tax exemption or an endorsed income tax exempt fund:

- visit the ABN Lookup website

Developing country relief funds

An entity is eligible for a refund of franking credits if it is a public fund declared by the Treasurer to be a developing country relief fund, and it has not been prescribed by regulation as ineligible for the concession.

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Applying for a refund of franking credits

Applying for a refund of franking credits for 1 July 2012 to 30 June 2013.

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Eligible organisations apply for a refund of franking credits annually on the *Application for refund of franking credits – Endorsed income tax exempt entities and deductible gift recipients 2013*.

In June of each year, we send a personalised refund application form to eligible organisations that applied for and received a refund in the previous financial year.

Obtain a copy of the Application for refund of franking credits: NFP endorsed entities 2012 - 2013.

Paying the refund directly into your account

Yes, if you complete the electronic funds transfer (EFT) section of the application form, we deposit your refund directly into an Australian bank, credit union or building society account of your choice. It is faster to have your refund paid directly to your financial institution account.

We do not issue refunds to a trustee’s personal bank account. Direct deposit is not available on all financial accounts. If you are unsure, check with your financial institution.

If your organisation has outstanding tax liabilities

If your non-profit organisation has any outstanding tax liabilities or other debts that are collected by us, the amount of refund claimed will be offset against those tax liabilities and debts. The amount of any remaining franking credits will then be refunded to your organisation.

Limits on claiming refunds

Rules apply to prevent an eligible organisation from receiving a franking credit on a distribution which is attributable to a franked dividend received through another eligible organisation.

Example

A charitable trust, Charity, is an eligible organisation. It is paid a fully franked dividend of $5,000. It claims and receives a franking credit of $2,575. It then distributes the franked dividend of $5,000 to its beneficiary, Benevolence, another charitable trust that is an eligible organisation. Benevolence receives the franked dividend in its capacity as a beneficiary of Charity. Therefore, Benevolence is not eligible to claim the franking credit because Charity was entitled to claim it. This applies whether or not Charity claims the franking credit.

The following rules also prevent the unintended use of franking credits:

- specific anti-avoidance rules for eligible organisations
- franking credit trading rules
- general anti-avoidance rules.

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Anti-avoidance rules

Anti-avoidance rules that apply to a refund of franking credits for 1 July 2012 to 30 June 2013.

Last updated 10 February 2017

A franking credit refund will not be available to an eligible organisation on payment of a franked dividend directly from the company or indirectly through a trust, if a transaction related to that payment results in any of the following:

- the organisation obtaining a reduced benefit from the franked dividend (or notional trust amount)
- the organisation, or another entity, providing a benefit or incurring a detriment
- the entity that pays the dividend or trust distribution (or their associate) obtaining an advantage
- failure to pass full, unconditional ownership of property comprising the dividend (or trust distribution) to the organisation at the time of payment.

Franking credit trading rules

Your organisation’s entitlement to a franking credit refund may be affected by the holding period rule and the related payments rule.

Under the holding period rule, your organisation must hold shares at risk for at least 45 days (or 90 days for preference shares) during the primary qualification period to be eligible for a refund of franking credits. If the organisation is under no obligation to make a related payment, this rule only needs to be met once for each purchase of shares.

The primary qualification period for the holding period rule is the period starting on the day after the day the organisation acquires the shares or interest and ends on the 45th day (or 90th day for preference shares) after the day on which the shares or interest become ex-dividend.

The related payments rule applies if your organisation has made, or is under an obligation to make, a related payment for a dividend. Under the related payments rule, your organisation must hold shares at risk for at least 45 days (or 90 days for preference shares) during the secondary qualification period to be eligible for a refund of franking credits. This rule must be met for all dividends and distributions where a related-payment will be made.

The secondary qualification period means the period starting on the 45th day before, and ending on the 45th day after, the day the shares became ex-dividend (or 90 days before and after if the shares are preference shares).

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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.