

CR 2025/22 - Suncorp Group Limited - special dividend, reduction of share capital and share consolidation

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Class Ruling

Suncorp Group Limited – special dividend, reduction of share capital and share consolidation

📌 Relying on this Ruling

This publication is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

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What this Ruling is about

1. This Ruling sets out the income tax consequences of the:
 - special dividend of \$0.22 per ordinary share (Special Dividend) paid by Suncorp Group Limited (Suncorp)
 - reduction of share capital of \$3.00 per ordinary share (Capital Return) paid by Suncorp, and
 - consolidation of the number of ordinary shares in Suncorp.
2. Details of this scheme are set out in paragraphs 43 to 72 of this Ruling.
3. All legislative references in this Ruling are to the *Income Tax Assessment Act 1997*, unless otherwise indicated.

Who this Ruling applies to

4. This Ruling applies to you if you held ordinary shares in Suncorp and you:
 - were registered on the Suncorp share register on 18 February 2025 (Distribution Record Date)
 - held your Suncorp shares on capital account – that is, your Suncorp shares were neither held as revenue assets (as defined in section 977-50) nor as trading stock (as defined in subsection 995-1(1)), and
 - did not acquire your shares in Suncorp under an employee share scheme (as defined in section 83A-10).

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5. This Ruling does not apply to anyone who is subject to the taxation of financial arrangements rules in Division 230 in relation to the scheme outlined in paragraphs 43 to 72 of this Ruling.

Note: Division 230 will not apply to individuals unless they have made an election for it to apply.

When this Ruling applies

6. This Ruling applies from 1 July 2024 to 30 June 2025.

Ruling

Special Dividend

7. The Special Dividend is a 'dividend' as defined in subsection 6(1) of the *Income Tax Assessment Act 1936* (ITAA 1936).

8. The Special Dividend is a frankable distribution pursuant to section 202-40 because it is not unfrankable under section 202-45.

Special Dividend is assessable income for Australian-resident shareholders

9. If you are a resident of Australia and you received the Special Dividend, your assessable income includes the Special Dividend of \$0.22 in respect of each Suncorp ordinary share (subparagraph 44(1)(a)(i) of the ITAA 1936).

10. Additionally, in the income year in which the Special Dividend was paid (subject to you being a 'qualified person' in relation to the Special Dividend), you will:

- have to include the franking credit on the Special Dividend in your assessable income (subsection 207-20(1)), and
- be entitled to a tax offset equal to the franking credit on the Special Dividend (subsection 207-20(2)).

11. Your entitlement to the franking credit tax offset under Division 207 in relation to the Special Dividend is subject to the refundable tax offset rules in Division 67, provided you are not excluded by the operation of section 67-25.

Qualified person

12. Paragraph 207-145(1)(a) refers to Division 1A of former Part IIIA of the ITAA 1936, which contains the conditions you must satisfy to be a 'qualified person' in relation to a franked distribution you have received.

13. The main way in which you can be a 'qualified person' is by satisfying the holding period rule.

14. The payment of the Special Dividend by Suncorp does not constitute the making of a related payment in respect of the Special Dividend under former section 160APHN of the ITAA 1936. Accordingly, unless you (or one of your associates) make a related payment in respect of the Special Dividend, the primary qualification period applies (former paragraph 160APHO(1)(a) of the ITAA 1936).

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15. You will satisfy the holding period rule in relation to the Special Dividend only if you held your Suncorp ordinary shares for a continuous period of at least 45 days during the primary qualification period for the Special Dividend (former paragraphs 160APHO(1)(a) and 160APHO(2)(a) of the ITAA 1936).

16. The primary qualification period begins on the day after the day on which you acquired your Suncorp shares and ends on the 45th day after the day on which the shares became ex dividend (former section 160APHD of the ITAA 1936).

17. Former subsection 160APHE(1) of the ITAA 1936 states that a share in respect of which a dividend is to be paid becomes ex dividend on the day after the last day on which the acquisition by a person of the share will entitle the person to receive the dividend.

18. The last day on which your acquisition of a Suncorp share entitled you to receive the Special Dividend was 18 February 2025 (Distribution Record Date). Therefore, the Special Dividend became ex dividend on 19 February 2025.

19. In relation to the Special Dividend, during the period beginning on the day after the day on which you acquired your Suncorp shares and ending on 5 April 2025 (inclusive), you must have held each of your Suncorp shares for a continuous period of at least 45 days (not counting the day on which you acquired the shares and the day, if any, on which you disposed of the shares, and not counting the days, if any, on which you had 'materially diminished risks of loss or opportunities for gain' (as defined in former section 160APHM of the ITAA 1936) in respect of the Suncorp share).

20. Another way in which you can be a qualified person in relation to the Special Dividend is under the small shareholder exception in former section 160APHT of the ITAA 1936. This will only apply to you if you are an individual, and the total amount of your franking credit tax offsets for the income year (from Suncorp and any other company, trust or partnership) does not exceed \$5,000.

21. The small shareholder exception in former section 160APHT of the ITAA 1936 only applies to the Special Dividend if you did not make a related payment (as defined in former section 160APHN of the ITAA 1936) in respect of the Special Dividend under any arrangement (former subsection 160APHT(2)).

Special Dividend received by non-resident shareholders

22. If you are a non-resident and you received the Special Dividend, and the Special Dividend is *not* attributable to a permanent establishment in Australia, no part of the Special Dividend will be included in your assessable income. This is because:

- the Special Dividend is non-assessable non-exempt income (section 128D of the ITAA 1936)
- you are not liable to pay withholding tax in respect of the Special Dividend (subparagraph 128B(3)(ga)(i) of the ITAA 1936), and
- you do not include the amount of the franking credits on the Special Dividend in your assessable income and you are not entitled to a tax offset for those franking credits (sections 207-20 and 207-70).

23. If you are a non-resident and you received the Special Dividend, and the Special Dividend *is* attributable to a permanent establishment in Australia, you:

- include the Special Dividend in your assessable income (paragraph 44(1)(c) of the ITAA 1936)

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- are not liable to pay withholding tax in respect of the Special Dividend (subsection 128B(3E) of the ITAA 1936), and
- include the amount of the franking credits on the Special Dividend in your assessable income and you are entitled to a tax offset (which is not refundable under subsection 67-25(1DA)) equal to the amount of those franking credits, provided you are a qualified person in relation to the Special Dividend (section 207-20 and subsection 207-75(2)).

Integrity rules

24. The Commissioner will not make a determination under paragraph 177EA(5)(b) of the ITAA 1936 to deny the whole, or any part, of the imputation benefits you received in relation to the Special Dividend. This is because it cannot be concluded that Suncorp or the shareholders of Suncorp entered into or carried out the scheme for a more than incidental purpose of enabling the shareholders of Suncorp to obtain an imputation benefit, and accordingly the purpose condition in paragraph 177EA(3)(e) of the ITAA 1936 is not satisfied.

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

Reduction of share capital

Capital gains tax consequences

CGT event G1

26. CGT event G1 happened when you were paid the Capital Return by Suncorp in respect of your Suncorp ordinary shares on 5 March 2025 (Capital Payment Date) (section 104-135).

27. You made a capital gain from CGT event G1 happening if the amount of the Capital Return for each Suncorp ordinary share (\$3.00) was more than the cost base of the share. If so, the capital gain is equal to the amount of the excess. No capital loss can be made from CGT event G1 (subsection 104-135(3)).

28. If you do not make a capital gain from CGT event G1, you reduce the cost base and reduced cost base of each of your Suncorp ordinary shares by \$3.00 (subsection 104-135(4)).

CGT event C2

29. CGT event C2 happened when Suncorp paid the Capital Return to you in respect of the Suncorp shares you owned on the Distribution Record Date but ceased to own before the Capital Payment Date (section 104-25).

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

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31. You made a capital gain equal to the amount of the Capital Return (\$3.00 per share).

Discount capital gain

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

Foreign-resident shareholders

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

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

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

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

Reduction of share capital is not an assessable dividend

36. No part of the Capital Return will be included in your assessable income under subsection 44(1) of the ITAA 1936. This is because the entire amount of the Capital Return was debited to the share capital account of Suncorp, meaning that it is not a 'dividend' under subsection 6(1) of the ITAA 1936.

Specific anti-avoidance provisions will not apply to deem an assessable dividend

37. Section 45 of the ITAA 1936 does not apply to the Capital Return. This is because Suncorp did not stream the provision of shares and the payment of minimally franked dividends to its shareholders. Therefore, you will not include any part of the Capital Return in your assessable income under subsection 44(1) of the ITAA 1936.

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

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

Share consolidation

40. No CGT event happened as a result of the consolidation of the Suncorp shares (paragraph 112-25(4)(a)).

41. The cost bases of every lot of 10,000 ordinary shares in Suncorp held by a Suncorp shareholder immediately before the share consolidation will become the total of the cost bases of the corresponding 8,511 ordinary shares in Suncorp held by that shareholder immediately after the consolidation of Suncorp shares (paragraph 112-25(4)(b)).

42. Suncorp shareholders should multiply the cost base of each Suncorp ordinary share they held immediately before the share consolidation by 1.175 to work out the cost base of each Suncorp ordinary share immediately after the share consolidation.

Scheme

43. The following description of the scheme is based on information provided by the applicant. If the scheme is not carried out as described, this Ruling cannot be relied upon.

Suncorp Group Limited

44. Suncorp is a company incorporated in Australia.

45. Suncorp has been listed on the Australian Securities Exchange since 7 July 1988. Ordinary shares in Suncorp trade under the code 'SUN'. Suncorp has only one class of shares on issue.

46. Suncorp is the head company of an income tax consolidated group under Part 3-90.

47. Suncorp is a non-operating holding company that owned, through wholly owned subsidiaries:

- a general insurance business in Australia that is regulated under the *Insurance Act 1973* (including brands such as AAMI, GIO, Shannons, APIA, Vero and Bingle)
- a banking business (trading as Suncorp Bank) that is an authorised deposit-taking business under the *Banking Act 1959*, and
- an insurance business in New Zealand.

48. Immediately before the Capital Payment Date, Suncorp had 1,272,316,092 fully paid ordinary shares and \$12.468 billion credited to its share capital account.

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Sale of the banking business

49. On 18 July 2022, Suncorp announced that it had signed an agreement for the sale of its shares in the wholly owned subsidiary that carries on the banking business. The sale was completed on 31 July 2024.

50. The directors of Suncorp formed the opinion that the net proceeds from the sale of the banking business exceeded Suncorp's business requirements and thus decided to pay the net sale proceeds to the shareholders of Suncorp. This was undertaken by a combination of an equal reduction of share capital under section 256B of the *Corporations Act 2001* and a special dividend.

Special Dividend

51. On 12 February 2025, the directors of Suncorp resolved to pay the Special Dividend of \$0.22 in respect of each Suncorp ordinary share to shareholders who owned shares on the Distribution Record Date (18 February 2025).

52. On 14 March 2025, Suncorp paid the Special Dividend to its shareholders.

53. The Special Dividend was fully franked by Suncorp under Division 202.

54. Suncorp's dividend reinvestment plan did not apply to the Special Dividend.

55. For accounting purposes, the total amount of the Special Dividend (\$280 million) was debited to Suncorp's retained earnings account.

Reduction of share capital

56. At the annual general meeting on 22 October 2024, the shareholders of Suncorp approved an ordinary resolution under section 256C of the *Corporations Act 2001* to reduce the share capital of Suncorp by an amount to be determined by the directors of Suncorp (up to a limit) in respect of each Suncorp ordinary share (Capital Return).

57. On the Capital Payment Date (5 March 2025), Suncorp paid the Capital Return to its shareholders.

58. The Capital Return was an equal reduction of share capital of \$3.00 paid to all Suncorp shareholders who owned Suncorp ordinary shares on the Distribution Record Date (18 February 2025).

59. For accounting purposes, the total amount of the Capital Return (\$3.817 billion) was debited to Suncorp's share capital account.

Share consolidation

60. At the annual general meeting on 22 October 2024, the shareholders of Suncorp also approved a share consolidation under section 254H of the *Corporations Act 2001*.

61. On the Capital Payment Date, following the payment of the Capital Return, Suncorp consolidated every lot of 10,000 Suncorp ordinary shares into 8,511 Suncorp ordinary shares. Where the share consolidation resulted in a fraction of a Suncorp ordinary share, the fraction was rounded up to the next whole number.

62. Suncorp shareholders received no consideration for the share consolidation.

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63. There was no change in the proportionate interest of each shareholder in Suncorp following the share consolidation (other than any rounding up under the share consolidation).

64. The share consolidation did not change the amount credited to Suncorp's share capital account.

Other matters

65. There were no shares in Suncorp held by a foreign resident and their associates that passed the non-portfolio interest test (within the meaning of section 960-195) throughout a 12 month period in the 24 months immediately before and ending on the Capital Payment Date.

66. Less than 50% of the market values of Suncorp's assets were taxable Australian real property (as defined in section 855-20).

67. Immediately before the Capital Payment Date, Suncorp's share capital account was not tainted (within the meaning of Division 197).

68. Suncorp has a dividend policy with a target of paying 60 to 80% of Suncorp's net cash earnings.

69. Since 2001, Suncorp has paid 2 fully franked dividends in each calendar year in respect of its ordinary shares.

70. Suncorp has also paid 6 fully franked special dividends since 2013.

71. Immediately before the payment of the Special Dividend, Suncorp had:

- a franking account balance of \$400 million, and
- retained profits of \$2.003 billion.

72. Before the Capital Payment Date, Suncorp had undertaken one previous reduction of share capital (see Class Ruling CR 2019/70 *Suncorp Group Limited – return of capital*).

Commissioner of Taxation

26 March 2025

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References

Related Rulings/Determinations:

CR 2019/70

- ITAA 1997 104-135
- ITAA 1997 104-135(3)
- ITAA 1997 104-135(4)
- ITAA 1997 104-165(3)
- ITAA 1997 112-25(4)(a)
- ITAA 1997 112-25(4)(b)
- ITAA 1997 Subdiv 115-A
- ITAA 1997 115-25(1)
- ITAA 1997 Div 197
- ITAA 1997 Div 202
- ITAA 1997 202-40
- ITAA 1997 202-45
- ITAA 1997 204-30(3)(c)
- ITAA 1997 Div 207
- ITAA 1997 207-20
- ITAA 1997 207-20(1)
- ITAA 1997 207-20(2)
- ITAA 1997 207-70
- ITAA 1997 207-75(2)
- ITAA 1997 207-145(1)(a)
- ITAA 1997 Div 230
- ITAA 1997 Pt 3-90
- ITAA 1997 855-10
- ITAA 1997 855-15
- ITAA 1997 855-20
- ITAA 1997 960-195
- ITAA 1997 977-50
- ITAA 1997 995-1(1)
- Corporations Act 2001 254H
- Corporations Act 2001 256B
- Corporations Act 2001 256C
- Banking Act 1959
- Insurance Act 1973

Legislative references:

- ITAA 1936 6(1)
- ITAA 1936 44(1)
- ITAA 1936 44(1)(a)(i)
- ITAA 1936 44(1)(c)
- ITAA 1936 45
- ITAA 1936 45A(1)
- ITAA 1936 45A(2)
- ITAA 1936 45B(2)(c)
- ITAA 1936 45B(3)(b)
- ITAA 1936 45C
- ITAA 1936 128B(3)(ga)(i)
- ITAA 1936 128B(3E)
- ITAA 1936 128D
- ITAA 1936 former Pt IIIAA Div 1A
- ITAA 1936 former 160APHD
- ITAA 1936 former 160APHE(1)
- ITAA 1936 former 160APHM
- ITAA 1936 former 160APHN
- ITAA 1936 former 160APHO(1)(a)
- ITAA 1936 former 160APHO(2)(a)
- ITAA 1936 former 160APHT
- ITAA 1936 former 160APHT(2)
- ITAA 1936 177EA(3)(e)
- ITAA 1936 177EA(5)(b)
- ITAA 1997 Div 67
- ITAA 1997 67-25
- ITAA 1997 67-25(1DA)
- ITAA 1997 83A-10
- ITAA 1997 104-25

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