Conversion to class C franking accounts

As a result of the increase in the company tax rate from 33% to 36% from the 1995–96 income year, companies were required to convert to the class C franking account (36%) any class A balances (39%) or class B balances (33%) at the earlier of when the company's first class C franking credit arose—for example, from the payment of a company tax instalment in respect of the 1995–96 income year, or upon being paid a class C franked dividend or at the end of the company's 1995–96 franking year. Companies were entitled to elect to convert earlier, by making an irrevocable written election to convert at a specified time.

If class A or class B franking credits or debits arise after conversion as a result of an amended assessment, those amounts must be converted to class C amounts in the class C franking account at the time the class A or class B credit or debit arises.

The class A franking credit or debit gives rise to a class C amount which is the class A franking credit or debit amount $\times$ 39/61 $\times$ 64/36.

The class B franking credit or debit gives rise to a class C amount which is the class B franking credit or debit amount $\times$ 33/67 $\times$ 64/36.

Once a company has converted to the class C franking account it should not pay class A or B franked dividends. To do so attracts penalties.

Life assurance companies must continue to keep a class A franking account as well as a class C franking account.

Lodgment requirements

The *Franking account tax return* must be completed for all companies, corporate limited partnerships and corporate trust estates treated as companies for the purpose of Part IIIAA of the *Income Tax Assessment Act 1936*, that have a liability to pay franking deficit tax. If no franking deficit tax is payable lodgment of this tax return is not required. The tax return should be lodged at the tax office where the company would normally lodge its tax return. The *Franking account tax return* should be lodged by the last day of the month following the end of the franking year.

Franking deficit tax

A liability to franking deficit tax will arise where any franking deficit exists at the end of the franking year.

The franking year

This is ordinarily the financial year ending 30 June. However, for early balancing companies, that is, companies with a substituted accounting period ending on or before 31 May in lieu of the following 30 June, the franking year will ordinarily be the substituted accounting period. For some companies the Commissioner will have specified a substituted franking year.

Date due and payable

The due date for payment of franking deficit tax is the last day of the month following the end of the franking year.

Penalties

Late lodgment penalty – failure to lodge the *Franking account tax return* as and when required may result in a penalty in the form of additional tax.

Overfranking penalty – a company which is liable for franking deficit tax from overfranking frankable dividends may be required to pay a penalty in the form of franking additional tax. Where the franking deficit at the end of the franking year is more than 10% of the total amount of franking credits arising during the year, the company is liable to pay penalty tax equal to 30% of the franking deficit tax payable, or $20, whichever is the greater.

Late payment penalty – failure to pay franking deficit tax or franking additional tax by the due date may result in a penalty in the form of additional tax.

How to pay

Payment for the franking deficit tax must accompany the *Franking account tax return*. The calculation of the tax payable is set out on the front page of the *Franking account tax return*. You can pay by mail or in person at a tax office. We are open from 8.30 am to 4.45 pm Monday to Friday. Some tax offices may extend their hours beyond these times. Cheques or money orders should be made payable to the Deputy Commissioner of Taxation and crossed Not Negotiable. Do not send cash by mail.

Australian Taxation Office

Imputation of company tax

1998 franking account tax return

1 July 1997 to 30 June 1998

Day Month Year **to** Day Month Year

or specify period if part year or **approved** substitute period

Tax file number

This tax return is to be completed for all companies and corporate trust estates treated as companies for the purposes of Part IIIAA of the *Income Tax Assessment Act 1936*, that have a liability to pay franking deficit tax.

Reference on the tax return to a company includes a corporate trust estate. Please read the attached explanatory notes.

Name of entity and Australian Company Number (ACN) or **Australian Registered Body Number (ARBN)**

ACN or ARBN*

* Cross out whichever is not applicable.

Current postal address

If the address has not changed, please print it **exactly** as shown on the last notice of assessment or the last tax return lodged

Suburb or town State Postcode

Postal address on previous tax return

If the address has changed, please print it **exactly** as shown on the last notice of assessment or the last tax return lodged

Suburb or town State Postcode

Dividend franking account

Fill in full details of the account(s) overleaf and show the end of year franking deficit in the space(s) below.

Class A franking deficit

$ X $\frac{39}{61}$ = A $

Class C franking deficit

$ X $\frac{36}{64}$ = C $

Total of A and C → Franking deficit tax payable $

Declaration:

I declare that the particulars shown in this tax return and in the accompanying documents are true and correct in every detail.

Public officer's signature Date

NAT 1382—1.98

IN-CONFIDENCE–when completed

Australian Taxation Office

Payment advice

Franking deficit tax - 45

Tax file number

Name of company

ACN or ARBN*

* Cross out whichever is not applicable.

Amount of payment

$

ATTACH PAYMENT TO THIS REMITTANCE ADVICE

IN-CONFIDENCE–when completed

Details of dividend franking account

Complete full details of account(s) below. If not enough space, attach a schedule containing the required details.
Enter the end of year franking deficit in the space provided on the front of this tax return.

Class A franking account

Date	Transaction details	Debit	Credit	Balance

For life companies transfer the end of year deficit to Class A franking deficit box provided overleaf

Class C franking account

Date	Transaction details	Debit	Credit	Balance

Transfer the end of year deficit to Class C franking deficit box provided overleaf