



**Australian Government**  
**Australian Taxation Office**

# Venture capital deficit tax return 2006

Return and explanatory notes



For more information  
visit [www.ato.gov.au](http://www.ato.gov.au)

# VENTURE CAPITAL DEFICIT TAX RETURN 2006 NOTES

The venture capital deficit tax return must be completed for all pooled development funds (PDF) that have a liability to pay venture capital deficit tax.

## Overview

All pooled development funds (PDF) have a venture capital sub-account as part of their franking account. Any PDF that keeps a record of its venture capital sub-account at a particular time is a participating PDF at that time.

## Venture capital sub-account

Among other things, the venture capital sub-account records tax paid by the PDF on venture capital gains and such tax paid creates venture capital credits. The credits are distributed to shareholders by means of distributions franked with venture capital credits ('venture capital franked dividends'), which give rise to venture capital debits in the sub-account. A venture capital tax offset is available only to the extent to which a dividend paid by the PDF is both venture capital franked and referable to the superannuation business of the eligible shareholder. The dividend is also exempt from income tax to the extent to which it has been venture capital franked.

### NOTE:

With the introduction of the simplified imputation system, the franking sub-account is to be converted to a tax-paid basis. This change to the imputation system requires all corporate tax entities to close off their old class C franking accounts and open new franking accounts as at 1 July 2002.

For more information on how to convert the franking account to a tax paid basis refer to the following fact sheets that are published on the ATO website:

- *Simplified imputation: the franking account* (NAT 7136). Where a venture capital sub-account is in surplus at the end of the 2002 income year it must be converted in the same manner and at the same time as franking accounts. The conversion of an *Income Tax Assessment Act 1936* venture capital surplus into an ITAA 1997 venture capital credit is carried out as follows: the amount of venture capital surplus at the end of 30 June 2002 under ITAA 1936 is multiplied by 30 and divided by 70.
- *Simplified imputation: consequential amendments for an early balancing corporate tax entity to convert its franking sub-account to a tax-paid basis* (NAT 7566). For an early balancing PDF, a venture capital surplus or deficit that would otherwise exist at the end of 30 June 2002 is neutralised and a venture capital credit or debit calculated on a tax paid basis arises on 1 July 2002.

## Venture capital deficit tax

PDFs are liable to venture capital deficit tax (VCDT) for an income year if at the end of that income year the sub-account is in deficit. A PDF is also liable to VCDT if it ceases to be a PDF when its sub-account is in deficit.

If a PDF has both a VCDT and franking deficit tax (FDT) liability, the liability to pay FDT is reduced by the liability to pay VCDT.

The venture capital sub-account will be in deficit at the relevant time (that is at the end of an income year or when it ceases to be a PDF) if there is an excess of venture capital debits over venture capital credits.

In determining whether there is a deficit at the relevant time, a refund of income tax paid within three months of that time is taken to have been received immediately before that time in certain circumstances. Those circumstances arise when the venture capital sub-account would have been in deficit (or in deficit to a greater extent) if the refund had been received immediately before the relevant time.

## Lodgment of returns

The venture capital sub-account tax return must be completed for all PDFs that have a liability to pay VCDT. If no VCDT is payable, lodgment of this tax return is not required. The tax return should be lodged at the address provided below, by the last day of the month following the end of the income year.

## The simplified imputation system, franking deficit tax and over franking tax

More information on the simplified imputation system, franking deficit tax and over franking tax is contained in the franking account return instructions and on the ATO website.

## Date due and payable

The due date for payment of VCDT is the same date as for lodgment of the return (that is the last day of the month following the end of the income year).

## Signing this tax return

The law requires that an authorised person sign this tax return. An authorised person for this purpose may be the public officer of the company or an agent duly authorised by the company.

Where an agent provides this tax return and accompanying information (where applicable), the company must prepare, and give to the agent, a signed declaration stating that the:

- company authorises the agent to give this tax return to the Commissioner, and
- information provided to the agent for preparation of the tax return is true and correct.

The company must retain such a declaration or a copy of it for a period of five years after it is made.

## Failure to lodge on time penalty and general interest charge

The law imposes a penalty on a corporate tax entity that does not lodge this tax return by the due date. It also imposes a general interest charge on an entity that fails to pay venture capital deficit tax by the due date.

The Commissioner has the discretion to remit any penalty in whole or in part. If the entity considers the penalty should be remitted, a statement should be attached to this tax return explaining why remission should be granted.

## How to lodge and pay

The venture capital deficit tax return and payment should be mailed to:

**Australian Taxation Office  
Locked Bag 1793  
PENRITH NSW 1793**

The amount of the tax payable is the amount of the deficit in the venture capital sub-account at the relevant time (taking into account relevant refunds of tax received within three months after that time: see **Venture capital deficit tax** on page 1 in these instructions).

Cheques or money orders should be made payable to the 'Deputy Commissioner of Taxation' and crossed 'Not negotiable'.

## Do not send cash by mail.



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Australian Taxation Office

# Venture capital deficit tax return 2006

Day	Month	Year	to	Day	Month	Year

or specify period if part year or approved substitute period

This tax return is to be completed for all PDFs that have a liability to pay venture capital deficit tax. Please read the attached explanatory notes before completion. *The Company tax return 2006 instructions* may also be of assistance regarding debits and/or credits to your venture capital sub-account.

Tax file number

Name of entity and Australian company number (ACN) or Australian business number (ABN)

	ACN or ABN
* 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

## Venture capital sub-account

Show the franking account balance at the end of the income year

\$	
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Show the amounts (if any) of franking deficit tax for the income year

\$	
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Show the amounts (if any) of over-franking tax for the income year

\$	
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Show the venture capital sub-account balance at the end of the income year or when the PDF ceased to be a PDF

\$	
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Show the venture capital deficit tax payable

\$	
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## Declaration:

I declare that the information given on this tax return and in the accompanying documents (where applicable) is true and correct, and that I am authorised to make this declaration.

Authorised person's signature

Title

Authorised person's name

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Date

Day	Month	Year

Hours taken to prepare and complete this tax return

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Daytime contact phone number

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Area code

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Phone number

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NAT 3309—6.2006

IN CONFIDENCE when completed

Australian Taxation Office

## Payment advice Venture capital deficit tax - 72

Tax file number

Name of company

	ABN

\$	
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ATTACH PAYMENT TO THIS REMITTANCE ADVICE