Advance Business Centres

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DIVIDENDS

Ownership of Australian shares can provide special tax benefits when a Dividend is paid. The Dividend Imputation System provides for a tax credit for company tax paid on the distribution of a dividend. The term used for the level of tax credit is Franking.

The effect of the system means that investing into Australian company shares is quite attractive because all shareholders that receive franked dividends are entitled to a franking rebate at the current company tax rate of 30%.

EXAMPLE:

Coles Myer pays $100 in a dividend. The Dividend Imputation Credit would be $30, being the amount of tax paid by Coles Myer on that part of their profit. In the taxation of the return of the shareholder, the $100 is declared as income and the $30 is granted as a credit to cover (or exceed) tax that would be charged when the dividend is added to any other personal income.

The Franked Credits are returned if a shareholder does not have sufficient other taxable income.

This system does not apply to non-residents of Australia.

A Shareholder Dividend Statement shows details of how dividends are paid, showing franked, unfranked and imputed credits to be applied on Australian company shares.

Shares issued in the place of receiving in the form of cash is still regarded as part of Assessable income as described above. The Taxpayer is required to declare the dividend and the imputation credit in their Taxation Return.

Bonus Shares acquired after June 1987, unless paid from a Share Premium account, are treated as assessable dividends, and for capital gains tax purposes, as acquired on the date the bonus shares were issued.