


# ***TD 93/D154 - Income tax: does 'separate net income' include the imputation credits attached to franked dividends?***

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This document has been finalised by TD 94/27.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

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## Draft Taxation Determination

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### **Income tax: does 'separate net income' include the imputation credits attached to franked dividends?**

1. No. Imputation credits are not included in 'separate net income' by section 159J of the *Income Tax Assessment Act 1936*.
2. For 'separate net income' purposes, only amounts which are income according to ordinary concepts (eg dividends actually paid or credited to the shareholder) are separate net income.
3. Imputation credits are not income according to ordinary concepts and are included as assessable income only because of section 160AQT of the Act.

*Example: Mary Smith includes a claim of \$1,149 for a full dependant spouse rebate (no children) in respect of her husband John for the year ended 30 June 1992. John's only income for the year is a dividend received from XYZ P/L of \$200. The imputation credit attached to this dividend is \$127. Therefore, John's assessable income is \$327. However, the amount to be included in Mary's tax return as separate income of the spouse is only \$200 (being the fully franked dividend).*

*Accordingly, Mary is entitled to the full dependant spouse rebate claim.*

**Commissioner of Taxation**

17/6/93

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FOI INDEX DETAIL: Reference No.

Related Rulings: IT 2391

Subject Ref: Imputation system; dependant rebate; separate net income;

Legislative Ref: ITAA 159J, 160AQT

ATO Ref: CWD Case 220

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ISSN 1038 - 8982