



TR 93/40 - Income tax: imputation of company tax: form approved by Commissioner of Taxation for issue to shareholders receiving dividends for 1994-95 and later franking years

 This cover sheet is provided for information only. It does not form part of *TR 93/40 - Income tax: imputation of company tax: form approved by Commissioner of Taxation for issue to shareholders receiving dividends for 1994-95 and later franking years*

 This document has changed over time. This is a consolidated version of the ruling which was published on 7 July 1994



Taxation Ruling

Income tax: imputation of company tax: form approved by Commissioner of Taxation for issue to shareholders receiving dividends for 1994-95 and later franking years

other Rulings on this topic

IT 2417

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*This Ruling, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the **Taxation Administration Act 1953**, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Ruling is a public ruling and how it is binding on the Commissioner.*

[Note: This is a consolidated version of this document. Refer to the Tax Office Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]

What this Ruling is about

1. This Ruling provides details of revised approved formats for dividend statements that an Australian resident company must provide to shareholders when paying a dividend. The formats are being revised because of proposed changes to the operation of the imputation system.
2. The revised formats for dividend statements will apply in relation to a company's 1994-95 and later franking years. Taxation Ruling IT 2417 sets out details of the format for 1993-94 and earlier franking years and will be superseded by this Ruling.

Ruling

3. Approval is granted for resident companies to use their own shareholder dividend statement providing it is substantially in accordance with one of the approved forms of the statement set out in the appropriate attachment to this Ruling. Alternatively, the required information may be incorporated in to existing dividend warrants.
4. Requests for approval of any substantial variation of the shareholder dividend statement format should be directed to the Deputy Commissioner at the office at which the company lodges its income tax returns.

Decimal Places on Shareholder Dividend Statement

5. A company will be able to pay a dividend that is both class A and class B franked and/or partially franked. In this event, it is possible that calculation of the percentage between the respective franked amounts and between the franked and unfranked component may run to more than two decimal places. For the purpose of recording the class A and class B franked amounts and the unfranked component, respectively, on the shareholder dividend statement, these calculations may be rounded off to the nearest cent. If there is an FDA amount less than the entire amount of the dividend, it may also be rounded off to the nearest cent.

6. The amount of the class A and class B imputation credits may also be rounded off to the nearest cent. However, these amounts must be calculated having regard to the class A and class B franked amounts of the dividend prior to rounding.

Explanations

7. The proposed changes to the imputation system with effect from a company's 1994-95 franking year will mean the franked amount of a franked dividend may be made up of two components - a class A and class B franked amount. Broadly, the two classes reflect tax paid at different rates. The class A franked amount will give rise to an imputation credit based on company tax paid at the 39% rate. The class B franked amount will give rise to an imputation credit based on company tax paid at the 33% rate.

8. Under the proposed changes, section 160AQH of the *Income Tax Assessment Act 1936* will require a resident company to give to shareholders, either before or at the time of payment of a dividend, a statement that includes the following details:

- (a) if the dividend is unfranked - a declaration to that effect;
- (b) if the dividend is franked then:
 - (i) the class A or class B franked amount, or both, as the case may be;
 - (ii) the amount remaining after deducting the sum of the class A and class B franked amounts from the amount of the dividends (ie. the unfranked amount);
 - (iii) if the dividend has been class A franked, the gross-up amount calculated in accordance with subsection

- 160AQT(1), ie. 39/61 times the class A franked amount (ie. the class A imputation credit);
- (iv) if the dividend has been class B franked, the gross-up amount calculated in accordance with subsection 160AQT(1AA), ie. 33/67 times the class B franked amount (ie. the class B imputation credit);
 - (v) the sum of the class A and class B imputation credits;
 - (vi) any amount of withholding tax deducted from the dividend under section 221YL; and
- (c) any other information required on the approved form of the shareholder dividend statement.
9. For the purpose of paragraph (c) above, the following additional information is required on the shareholder dividend statement:
- (a) the name of the company paying the dividend;
 - (b) the date of payment of the dividend;
 - (c) the name of the shareholder; and
 - (d) in the case of a franked dividend, whether it is fully franked or partially franked. A dividend is taken to be fully franked if the sum of the class A and class B franked amounts equals the amount of the dividend.

Dividends that include an FDA amount

9.1 From 1 July 1994, a company that has a surplus in its foreign dividend account may pay a dividend that consists of an FDA amount. If the dividend is an unfranked dividend, it may consist wholly or partly of an FDA amount. If the dividend is franked, the FDA amount is limited to the amount of the dividend that has not been franked.

9.2 For a dividend that consists entirely of an FDA amount, a company must specify (in addition to any of the information mentioned at paragraphs 8 and 9 of the Ruling) that the dividend is exempt from Australian withholding tax if it is derived by a non-resident [paragraph 128TD(1)(a)]. See Forms 4 and 7, Attachment B for an approved form of statement.

9.3 For a dividend that consists partly of an FDA amount, paragraph 128TD(1)(b) requires a company to specify (in addition to the information mentioned at paragraphs 8 and 9 of the Ruling):

- (a) the amount of the dividend that is exempt from Australian withholding tax if it is derived by a non-resident;

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- (b) the amount, if any, of the dividend that is not exempt from Australian withholding tax if it is derived by a non-resident;
- (c) the amount, if any, of withholding tax deducted from the dividend.

For the requirements in relation to an unfranked dividend see Forms 5 and 8, Attachment B for an approved form of statement. For the requirements in relation to a partly franked dividend, see Forms 6 and 9, Attachment B for an approved form of statement. As Forms 5 and 6 show, this information may be incorporated in statement in the approved form required by section 160AQH.

9.4 If the information is not incorporated in a statement in the approved form required by section 160AQH, the statement containing the information required by section 128TD must also contain the following additional information:

- (a) the name of the company paying the dividend;
- (b) the date of payment of the dividend; and
- (c) the name of the shareholder.

Date of effect

10. This Ruling applies to dividends paid by resident companies on or after the date of commencement of the company's 1994-95 franking year.

Note: The Addendum to this Ruling that issued on 7 July 1994 applies to dividends paid by resident companies, after 1 July 1994, that consist partly or wholly of an FDA amount.

Commissioner of Taxation

16 December 1993

ISSN 1039 - 0731

FOI index detail
reference number

ATO references

I 1014054

NO 87/4738-5

BO

*subject references*Not previously released to the public
in draft form

- imputation of company tax
- dividend statement to shareholders

Price \$1.30

legislative references

- ITAA 160AQH
- ITAA 160AQT

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Attachment A

The following are approved formats for the statements to be completed by Australian resident companies that pay dividends to shareholders, other than dividends that consist of FDA amounts.

Form 1 (Partially franked dividend or general use)

SHAREHOLDER DIVIDEND STATEMENT

Name of company:

Date of payment:

Name of shareholder:

Dividend type			Imputed credits	
	\$	c	\$	c
FRANKED/UNFRANKED				
Class A franked amount				
Class B franked amount				
Unfranked amount				
Total imputed credit				

Withholding tax (only where dividend paid to non-

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NOTE: You will need to retain the above information to assist you in preparing your income tax return.

Form 2 (Fully franked dividends only)

<u>SHAREHOLDER DIVIDEND STATEMENT</u>		
Name of company:		
Date of payment:		
Name of shareholder:		
	\$	c
Dividend paid		
Class A imputed credit		
Class B imputed credit		
Total imputed credit		
FOR INCOME TAX PURPOSES THIS DIVIDEND IS FULLY FRANKED		
NOTE: You will need to retain the above information to assist you in preparing your income tax return.		

Form 3 (Unfranked dividends only)

<u>SHAREHOLDER DIVIDEND STATEMENT</u>		
Name of company:		
Date of payment:		
Name of shareholder:		
	\$	c
Dividend paid		
Withholding tax deducted		
FOR INCOME TAX PURPOSES THIS DIVIDEND IS UNFRANKED		
NOTE: You will need to retain the above information to assist you in preparing your income tax return.		

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Attachment B

The following are approved formats for the statements to be provided by Australian resident companies that pay dividends to shareholders where the dividends consist of FDA amounts.

Form 4 - For unfranked dividends consisting entirely of an FDA amount, only

This form satisfies both section 160AQH and section 128TD requirements.

SHAREHOLDER DIVIDEND STATEMENT

Name of company:

Date of payment:

Name of shareholder:

	\$	c
Dividend paid	<input type="text"/>	<input type="text"/>

FOR INCOME TAX PURPOSES THIS DIVIDEND IS UNFRANKED

NOTE: (1) You will need to retain the above information to assist in preparing your income tax return.

(2) Non-resident withholding tax is not payable on this dividend as it consists entirely of a Foreign Dividend Account amount.

Form 5 - For unfranked dividends consisting partly of an FDA amount, only

This form satisfies both section 160AQH and section 128TD requirements.

SHAREHOLDER DIVIDEND STATEMENT

Name of company:

Date of payment:

Name of shareholder:

	\$	c
Dividend paid		
Withholding tax deducted [if dividend is paid to a non-resident shareholder]		

FOR INCOME TAX PURPOSES THIS DIVIDEND IS UNFRANKED

NOTES: (1) You will need to retain the above information to assist you in preparing your income tax return.

(2) Non-resident withholding tax is payable on only part of this dividend as it consists partly of a Foreign Dividend Account amount.

Foreign Dividend Account amount	\$.
Part subject to withholding tax	\$.

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Form 6 - For partially franked dividends or for general use

This form satisfies both section 160AQH and section 128TD requirements.

SHAREHOLDER DIVIDEND STATEMENT

Name of company:

Date of payment:

Name of shareholder:

Dividend type			Imputed credits	
	\$	c	\$	c
FRANKED/UNFRANKED				
Class A franked amount				
Class B franked amount				
Unfranked amount				
Total imputed credit				

Withholding tax deducted

[if dividend is paid to a non-resident shareholder]

NOTE:(1) You will need to retain the above information to assist you in preparing your income tax return.

(2) Non-resident withholding tax is not payable on the unfranked part of this dividend as it consists entirely of a Foreign Dividend Account amount.

[or, if appropriate]

(2) Non-resident withholding tax is payable on only part of this dividend as it consists partly of a Foreign Dividend Account amount.

Foreign Dividend Account amount \$.

Part subject to withholding tax \$.

Form 7 - For unfranked dividends consisting entirely of an FDA amount, only

This form may be used where the statement given to satisfy section 128TD requirements is separate from that given to satisfy section 160AQH requirements.

SHAREHOLDER DIVIDEND STATEMENT

Name of company:

Date of payment:

Non-resident withholding tax is not payable on this dividend as it consists entirely of a Foreign Dividend Account amount.

Form 8 - For unfranked dividends consisting partly of an FDA amount, only

This form may be used where the statement given to satisfy section 128TD requirements is separate from that given to satisfy section 160AQH requirements.

SHAREHOLDER DIVIDEND STATEMENT

Name of company:

Date of payment:

Name of shareholder:

Non-resident withholding tax is payable on only part of this dividend as it consists partly of a Foreign Dividend Account amount.

Foreign Dividend Account amount	\$.
Part subject to withholding tax	\$.

Form 9 - For partially franked dividends or for general use

This form may be used where the statement given to satisfy section 128TD requirements is separate from that given to satisfy section 160AQH requirements.

SHAREHOLDER DIVIDEND STATEMENT

Name of company:

Date of payment:

Name of shareholder:

Non-resident withholding tax is not payable on the unfranked part of this dividend as it consists entirely of a Foreign Dividend Account amount.

[or, if appropriate]

Non-resident withholding tax is payable on only part of this dividend as it consists partly of a Foreign Dividend Account amount.

Foreign Dividend Account amount	\$.
Part subject to withholding tax	\$.

Form 10 - Additional statement for dividends paid during the transitional period from 1 July 1994 to the date of enactment of the amending legislation

This statement must accompany any dividend paid before the date of commencement of the *Taxation Laws Amendment Act (No. 3) 1994* if it is to consist of an FDA amount.

It may either be given to shareholders as a separate statement or incorporated in shareholder dividend statements using one of Forms 4 to 9.

Exemption from withholding tax for non-residents

This dividend consists of a Foreign Dividend Account amount.

This means that non-resident withholding tax has not been deducted from the unfranked part of the dividend represented by the Foreign Dividend Account amount.

The withholding tax liability of a non-resident who derives income that includes this dividend is subject to a proposed exemption currently before the Parliament.

To the extent it relates to the Foreign Dividend Account amount this liability is expected to be extinguished following commencement of the legislation for the exemption.

The Commissioner of Taxation has extended, until commencement of the amending law, the time for remittance of withholding tax by persons obliged to deduct withholding tax in relation to this liability.

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