

## Dividend Imputation

Dividend imputation is the Government's system of taxing dividends paid by Australian resident companies. Under the imputation system, the investor is entitled to a tax rebate in respect of "franked dividends" that are paid from the Franking Account of a company. The franked component entitles the shareholder to a rebate known as an "imputation credit".

As is the case with all rebates, the imputation credit cannot reduce the tax liability to a value less than zero nor can it be used to offset the Medicare Levy, which is calculated on total taxable income inclusive of the imputation credit. Note that dividends paid by companies, which have not paid Australian company tax, do not carry imputation credits and remain taxable in the hands of shareholders at full marginal taxation rates. Any excess franking credits not used to offset a tax liability will be refunded.

### **General Advice Warning**

Any advice in this publication is of a general nature only and has not been tailored to your personal circumstances. Please seek personal advice prior to acting on this information. The information in this document reflects our understanding of existing legislation, proposed legislation, rulings etc as at the date of issue. In some cases the information has been provided to us by third parties. While it is believed the information is accurate and reliable, this is not guaranteed in any way. Opinions constitute our judgement at the time of issue and are subject to change. Neither, the Licensee or any of the National Australia group of companies, nor their employees or directors give any warranty of accuracy, nor accept any responsibility for errors or omissions in this document. Mark McNeany, Chris Steiger and Vertex Group Pty Ltd are Authorised Representative of GWM Adviser Services Ltd.