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FINANCIAL FACTS

SHARES & DIVIDENDS

A share is a part ownership of a company. Someone who owns a share in a company is one of the company's shareholders. A company can be public (Ltd) or private (Pty Ltd). It can also be listed or unlisted.

A listed company is one whose shares are traded on a Stock Exchange. Anyone can buy shares in a listed company, usually through a Stock Broker. An unlisted company is not listed on a stock exchange.

Companies usually distribute a part of their profits as dividend payment to its shareholders. Australian companies pay tax at 30% on every dollar of profit and earn Franking Credits when the tax is paid. Franking Credits on Australian tax paid are provided to the shareholders with the payment of a Franked Dividend. This is a benefit to the shareholders because it provides them with a credit for the tax the company has already paid.

Franking credits provide the following benefits:

Shareholder Tax Rate (incl Medicare Levy)	Benefit (Payable)	Details
0%	30%	The whole of the Franking credit would be refunded to someone on a zero tax rate.
16.5%	13.5%	A shareholder on a tax rate of 16.5% receives a 13.5% tax benefit on the dividend.
31.5%	(1.5%)	Those on 31.5% tax rate only pay the 1.5% medicare levy on the dividend receipt.
41.5%	(13.5%)	A 43.5% tax rate means that only 13.5% is payable on the franked dividend.
45.5%	(18.5%)	A 48.5% tax rate means that 18.5% tax is payable on the franked dividend.

EXAMPLE:

A fully franked dividend of say \$70 would have \$30 in franking credits. A shareholder includes and pays tax on \$100 (\$70 cash plus franking amount) but gets an offset for the \$30 franking credit. Therefore, those on zero tax rate get a \$30 refund. The others are: \$13.50 refund for those on 16.5% tax rate; \$1.50 payment of tax if you're on 31.5%; \$11.50 payment for those who are on the 41.5% rate and \$16.50 payment for those on the highest marginal tax rate.

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