



## Australian Government

### The Treasury

## DIVIDEND WASHING

### SUMMARY OF CONSULTATION PROCESS

The Government announced on 14 May 2013 that from 1 July 2013, it will remove a loophole that currently allows sophisticated investors to engage in a process known as ‘dividend washing’. This process circumvents Australia’s dividend imputation integrity rules by allowing sophisticated investors to effectively trade franking credits, allowing some shareholders to receive two sets of franking credits for effectively the same parcel of shares.

#### Consultation process

Consultation on the Discussion Paper was conducted between 3 June 2013 and 17 June 2013. Ten submissions were received.

Further consultation meetings were conducted between 3 June 2013 and 20 June 2013.

Submissions can be viewed by clicking on the following link.

<http://www.treasury.gov.au/ConsultationsandReviews/Submissions/2013/Dividend-Washing/Submissions>

A summary of issues raised by individual submissions can be viewed by clicking the following link.

[http://www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/Consultations/2013/Dividend%20Washing/Key%20Documents/PDF/Summary\\_of\\_submissions.ashx](http://www.treasury.gov.au/~media/Treasury/Consultations%20and%20Reviews/Consultations/2013/Dividend%20Washing/Key%20Documents/PDF/Summary_of_submissions.ashx)

#### Summary of key issues

##### *Key concerns raised by industry*

The main concerns raised in the submissions relate to: changes to the general anti-avoidance provisions, the potential impact on IT systems and consequent compliance costs, and amendments to the ‘last in, first out’ rule.

##### *Response to key concerns raised by industry*

In response to submissions, the Government will prevent dividend washing by inserting a specific integrity rule in the tax law. This approach will prevent sophisticated investors from receiving two sets of franking credits for what is effectively the same parcel of shares through dividend washing, while avoiding unnecessary compliance costs for taxpayers.

#### Feedback

Feedback on the consultation process for this measure can be forwarded to [consultation@treasury.gov.au](mailto:consultation@treasury.gov.au) . Alternatively, you can contact Teresa Bostle on (02) 6263 3005.

Thank you to all participants in the consultation process.