

Level 24, 25 Bligh Street, SYDNEY NSW 2000  
PO Box H104, Australia Square, SYDNEY NSW 1215  
1300 551 132 Ph +61 2 9232 7500 Fax +61 2 9232 7511

[www.qvequities.com](http://www.qvequities.com)

ACN: 169 154 858



10<sup>th</sup> September 2018

## **Shareholder Update: Retrospective Changes to Tax Legislation for QV Equities Limited ('Company')**

The amount of franking credits for dividends you received during the 2017-18 financial year will change.

### **Background**

In May 2017 the Government introduced tax laws that reduced the corporate tax rate from 30% to 27.5% for companies with a turnover of less than \$25 million. The Company had a turnover of less than \$25 million for the 2017-18 financial year, it applied a tax rate of 27.5% which was reflected in the franking levels disclosed on dividend statements issued to shareholders.

### **What's changed**

In August 2018 the Government passed new legislation (*Treasury Laws Amendment (Enterprise Tax Plan Base Rate Entities) Bill 2018*) resulting in the Company's tax and franking rate reverting back to 30%. This amendment was designed to carve out companies from the lower tax rate where more than 80% of their income is passive (for example dividends and interest). The Company meets these criteria.

### **Impact of changes**

This new legislation retrospectively removes the Company's eligibility for the lower tax rate. As such, the franking credits on the dividend statements issued to shareholders in respect of the 2017-18 financial year will be revised to reflect this change.

The franking credits attached to each dividend paid during the 2017-18 financial year will be based on a tax rate of 30% instead of the 27.5% used when the dividend statements were issued. This will result in a slight increase to the franking credits attached to dividends paid during the 2017-18 financial year.

### **Example of franking credits impact**

Based on a dividend of \$100 franked at 27.5% the franking credits for the dividend were \$37.93. For the same dividend of \$100 franked at 30%, franking credits will be \$42.86. This change does not impact the amount of any cash payment received or the number of shares issued under the DRP.

### **Income Tax return 2017-18**

Shareholders should note that the revised franking amount may impact their 2017-18 income tax return and are advised to check with the Australian Tax Office or their tax advisor on the appropriate approach to take.

### **2018 Annual Results**

The Company's 2018 Annual Results were prepared and signed off using a corporate tax rate of 27.5% (being the legislated tax rate at the time of signing). The 2.5% change in tax rate is not material for the 2018 Annual Results and will be captured as an under provision in the 2018-19 year.

### **Next steps**

By the end of September, the Company will issue a notice to each shareholder reflecting the correct amount of franking credits. The franking credits for the dividend declared on 15 August 2018 has been updated.

Please direct any enquiries to [info@qvequities.com](mailto:info@qvequities.com) or phone 1800 868 464. Please note we are unable to provide tax advice.

For personal use only