

Australian Accounting Standards Board

Agenda Decision

Recognition of Franked Dividend Revenue

(December 2007)

The Issue

Australian Accounting Standards do not presently specify whether an entity should recognise franked dividend revenue on a:

- net basis – that is, by recognising only the amount of the dividend as revenue (e.g. if a fully franked dividend of \$70 is received, dividend revenue would be \$70); or
- gross basis – that is, by recognising the sum of the dividend and any franking credit attached to the dividend as revenue (e.g. if a fully franked dividend of \$70 is received, dividend revenue would be \$100, being the sum of \$70 and the franking credit of \$30).

Because certain taxpayers are entitled to refunds for their excess imputation credits and other taxpayers are able to convert excess franking credits into tax losses rather than the excess being forgone, some constituents have suggested that the treatment of franked dividend revenue should be reconsidered. In addition, some constituents suggest that the treatment of franked dividend revenue should also be reconsidered in light of adopting IFRSs from 2005.

Reasons for Not Adding the Issue to the AASB's Agenda

At its December 2007 meeting, the AASB decided not to add this issue to its agenda because:

- no diversity has been noted in practice on this matter at the current time; and
- the International Accounting Standards Board (IASB) is currently undertaking projects on revenue recognition and income taxes that may affect the accounting for franked dividends in the future.