Australian Government
Australian Taxation Office

ATO NOTE

Issue date: 14 September 2018

To:	Warwick Anderson, General Manager Network Finance and Reporting, Australian Energy Regulator

Subject:	Franking account balance – tax of time series data from Taxation Statistics

Background

Clarification of points in previous note titled 'Franking account balance – tax of time series data from Taxation Statistics' dated 9 May 2018.

Key Points

The ATO Note issued 9 May 2018 to the AER titled '– tax of time series data from Taxation Statistics' states that 'Taxation Statistics data should not be used for detailed time series analysis of the imputation system.'

This applies to all aspects of the imputation system, not only the franking account balance line item. As previously advised, Taxation Statistics cannot be used to estimate the quantum of franking credits created, distributed or received by a company or group over time. This is because it has insufficient information to reliably quantify these amounts.

Issues such as companies entering and exiting the tax system, churn within consolidated groups, uncollected debt and other complexities, such as the rules relating to life insurance companies, cannot be determined from the Taxation Statistics publication but would impact materially on any macro analysis of franking credits using Taxation Statistics aggregate data.

Some company tax return labels are composites and include both franking credits and other credits, which adds more complexity to any detailed analysis, even in non-aggregated data, let alone the data in Taxation Statistics.

Further, the usage rate of franking credits is not able to be calculated from Taxation Statistics data due to the aggregated nature of the data.

Lastly, as the franking account balance and franked dividends paid amounts are informational labels, there may sometimes be data reporting issues which are not picked up in Taxation Statistics.