

At the Senate hearing there was a request with respect to Schedule 5 for more information about what happens in other jurisdictions with the treatment of capital raisings in the same year as dividends are paid.

In the US, in a 2021 working paper titled “Financing Payouts” by Joan Farre-Mensa, Roni Michaely, Martin Schmalz (can be found on the SSRN web-site), the authors find that over 31% of aggregate payouts (both dividends and share repurchases) are financed by capital raisings (mostly debt). There are no prohibitions on companies undertaking this strategy to simultaneously manage their leverage, cash position and their payouts to shareholders. This reflects the idea that capital markets result in a very efficient at allocation of resources. In fact over 25% of payouts could not have been made without the firms raising capital around the same period.

In the Asia-Pacific region, in a paper titled “The practice of and motivation for equity recycling: Evidence from the Asia-Pacific region”, by Douglas (DJ) Fairhurst and Yoonsoo Nam, the authors find evidence that the practice of issuing equity (raising equity capital) and contemporaneously paying dividends is consistent with shareholders' interests, and is more pervasive in firms with strong corporate governance.