

## Company Dividends

From 6<sup>th</sup> April 2016 the way in which dividends are taxed is changing and this will mean for the majority a higher tax bill.

In this current tax year, 2015/2016, if your combined income of salary and dividend kept you in the basic

### From 6 April 2016 everything changes.

Only the first £5000 of dividend is tax free and then the following rates apply

Basic rate tax payer	7.5%	Up to £43000 total income
Higher rate tax payer	32.5%	Total income over £43000
Additional rate tax payer	38.1%	Total income over £150000

### Example 1

Salary £8000 and dividend £20000

Salary	8000
Personal allowance	11000
Surplus personal allowance	3000
Dividend	20000
Less surplus personal allowance	3000
Less dividend allowance	5000
Taxable dividend	12000
Tax payable	900

### Example 2

Salary £8000 and dividend £40000

Salary	8000
Personal allowance	11000
Surplus personal allowance	3000
Dividend	40000
Less surplus personal allowance	3000
Less dividend allowance	5000
Taxable dividend	32000
Tax payable	
At 7.5% £27000	2025
At 32.5% £5000	1625
Total tax payable	3650

### Action Points

- Maximise dividend in 2015/2016 year
- Consider split of shareholding between partners
- Ongoing consider timing of dividend