

## Contractor doctor: when is tax payable on declared dividends?

Dear Contractor Doctor,

I've been reading your valuable advice and have a question...

If I pay myself (as director and shareholder) a regular dividend from my Ltd company, when is the tax payable to HMRC from the Ltd company - is it when the dividend is paid and if so, is there a standard form to be completed?

Many thanks

John Carey

Contractor Doctor says:

Thanks for your question and kind comments about the site.

The company issuing the dividend does not pay any additional tax on dividends it declares. Further taxes on dividends are part of personal taxation and are declared when you complete your Self Assessment in January each year.

To clarify, taxes payable by your company are:

- o Employers NI: paid on gross salaries each month
- o Corporation tax: paid on annual profits nine months after your company year end

When your company declares a dividend this is no different to receiving a dividend from a public company that you might have shares invested in.

The dividend income you receive will be treated as personal income for tax purposes and will need to be declared when you complete your personal tax return at the end of the year.

As a shareholder you receive a 'tax credit' which is 10% of the dividend.

You will pay tax on any dividend income you receive that results in your total taxable income being subject to higher rate tax. This is because the tax credit you receive when you get your dividend 'franks' the dividend as already having had basic rate tax paid on it.

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“ The company issuing the dividend does not pay any additional tax on dividends it declares. ”

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