

# An introduction to personal tax payable on dividends (2023/24)

## Dividend Tax Rates

Dividend tax is a personal income tax which is payable each tax year based on the amount of dividends withdrawn by an individual.

As per the current tax rules (2023/24) any dividend amount that is within your Personal Allowance will be tax free. Following this the next £1,000 of dividends are also tax free, this is known as the Dividend Allowance. Dividends in excess of your personal allowance and dividend allowance are taxed at the following rates:

- 8.25% where the dividend amount is within your basic rate band which is where your total income is up to £50,270
- 33.75% where the dividend amount is within the higher rate band which is where your total income is between £50,271 and £125,140
- 39.35% where the dividend amount is within the additional rate band which is where your total income is above £125,140

Your total income will include income from all sources such as salary, pensions received, umbrella employment, rental profits and investment income received in the tax year. Dividend income is usually taxed last after tax is applied to all other forms of income.

Your dividend income will be based on the amount of dividends you have withdrawn and declared in the tax year. Therefore it is important that the actual funds have been physically withdrawn from the company account, as well as ensuring an appropriate dividend declaration has been made and is dated on or before the 5th April 2024.

## Self Assessment tax return

As a director of a limited company you are required to complete and file a personal tax return to HMRC for each tax year. Within this you would summarise all your income from all sources, this would include the salary and dividends received from your limited company. The tax year ends on the 5th April each year with the deadline to complete the Self Assessment tax return being the following 31st January.

Any personal tax due on dividends would be payable as part of this return, the deadline to pay the tax is 31st January following the end of the tax year the liability relates to.

If you are required to submit a personal tax return for the 2022/23 tax year and are yet to sign up for the service you can do so from <https://www.paystream.co.uk/custom-forms/self-assessment-tax-return-registration/> or by calling the personal tax team on 0161 926 7875.

## Personal Dividend Tax

You should monitor on an ongoing basis your estimated personal tax liability so that the tax amount is planned for. The calculation is based on any P45's you have (if applicable), your salary from the company, any other income and any dividends declared. Any amounts taken that are yet to be declared as a dividend should also be considered.

Please note if your personal tax liability is over £1,000 HMRC would also require you to make payments on account which are advance payments towards the next tax year. These are calculated as 50% of the liability amount with two payments on account being due, the first on the 31st January on the second on 31st July following the end of the tax year.

Finally if you have a student loan outstanding any repayment due will also be calculated as part of your personal tax return. For Plan 1 loans the repayment amount is calculated as 9% on income above £22,015, for Plan 2 loans this is 9% on income above £27,295.