



NEWSLETTER - Sep'20

WELCOME

"With each unique client we challenge ourselves to ensure you achieve strategic growth within your organisation"

We achieve this with emphasis on
clear and concise reporting

HELPING YOU MAKE THE CONNECTION BETWEEN
SALES, FINANCE & PROFITS

F D OUTSOURCE

more than accountants

DON'T PAY THE WRONG KIND OF DIVIDEND

The directors control a company's dividend payments but the rules that determine when they are taxable vary depending on the type of dividend.

How can you ensure they are taxed at the right time for maximum efficiency?

Tax Timing

Distributing a company's profits is typically done by paying dividends. The timing of this can be legitimately manipulated to delay when the shareholder is taxed. For example, a dividend paid soon after the start of the tax year gives you nearly 21 months before the tax on it is payable. HMRC is aware of this and so may challenge the validity and timing of dividends if they aren't properly declared and paid in accordance with company law.

Dividend Procedure

There are two types of dividend, interim and final. Company law controls the procedure for paying each type (see The next step).

Both are taxable on the date on which they are “paid”, but the rules which determine this date aren’t the same.

Interim Dividend

The payment date is when the money is “placed at the disposal of the shareholder”. For a director shareholder that is when the money is actually paid, e.g. by bank transfer to a shareholder’s account, or if earlier when the shareholder has the right to draw on the dividend, e.g. when the dividend is credited to the director’s loan account (DLA). Tip. It’s OK for the directors to declare a dividend and record it in the company’s minutes but if you want to delay the payment date don’t record it anywhere in the company’s accounting records, e.g. as a credit in a DLA, until the date you want it to become taxable.

Final Dividend

The due and payable date for a final dividend, which is also the date of payment for tax purposes, is when it’s approved by the shareholders in a general meeting. Example. Your company’s financial year ends on 31 December.

On 19 March 2021 the shareholders approve a final dividend proposed by the directors for the year ended 31 December 2020 but no date of payment is specified. For tax purposes, the dividend is treated as paid on the date on which the dividend was approved. This falls in the tax year 2020/21 and, under self-assessment, any the tax on the dividend is payable on 31 January 2022. However, the tax bill can be delayed by a year.

TIP: When approving a final dividend specify when it is actually going to be paid. Record it in the company's minutes. In the example above, if the minutes had shown that the dividend was to be paid on 6 April 2021 the shareholders would not have to pay the tax on it until 31 January 2023. **TIP:** If a director shareholder needs the cash sooner than the approved payment date they can take the money from their DLA earlier and this won't change the date that the dividend is taxable. This should be done on the understanding that the dividend will be used to clear the DLA debt created when the shareholder drew the money.

The tax bill for a dividend can be due up to 21 months after it's paid. For an interim dividend, "paid" is the earlier of when the money is transferred to the shareholder or is recorded in the company's records. For a final dividend, you can specify the date for maximum tax efficiency, e.g. by making the payment date just after the start of a tax year.

To Our Stakeholders

FD Outsource is committed to working directly with Sales Driven MD's within their specialised sector to ensure they achieve continual strategic growth.

The Strategic Growth can be measured against the business plan using quantifiable financial measures.

These financial measures can be within Sales/Revenue, Gross Margins, Cashflow, Profitability and Net Worth.

The milestones set in the business plan will be monitored and reviewed at regular intervals through the business life cycle with continual focus on succession planning with the management team.

Our internal core values can be seen within our 5c Guarantee provided to all clients. These are:

- Communication
- Creativity
- Coherence
- Commitment
- Conclusion

Analyse , Identify and Plan

Our priority is that cash flow doesn't become a Barrier to Growth and business profits be converted in to personal wealth.

Sincerely

A handwritten signature in white ink that reads 'Mark Terrington'.

Mark Terrington
Founder & CEO

WE WORK WITH SALES DRIVEN
BUSINESS OWNERS

HELPING YOU MAKE THE CONNECTION
BETWEEN
SALES, FINANCE AND PROFITS



For a Free discussion on how you can
make the connection and convert
business profit in to personal wealth.
Contact us today

enquiries@fdoutsource.co.uk