01 / HOW MUCH CAN YOU TAKE?

Bank cash is not your dividend limit.

Check the company's available profits and its cash needs before paying shareholders.

Two separate checks

A **dividend** is a payment to shareholders from profits available for distribution. It is not a wage, a business expense or repayment of money you lent the company.

1. Profit check: use up-to-date accounts. Allow for business costs, Corporation Tax, earlier losses and dividends already paid. Share capital and new loans are not profits.

2. Cash check: keep enough for tax, suppliers and the next few months. A company can have profits but not enough cash to pay them out safely.

THE ACCOUNTS MATTER

The usable profit figure is the company's accumulated realised profits, less relevant losses and previous distributions. Ask SBX to check it; a bank balance or an unadjusted sales report is not enough.

Example: £20,000 in the bank

Cash check	Amount
Bank balance	£20,000
Set aside for VAT	(£5,000)
Suppliers and other bills	(£5,000)
Corporation Tax reserve	(£2,000)
Working cash to keep	(£2,500)
Cash left after these reserves	**£5,500**

SEPARATE PROFIT CHECK

The accounts show **£6,000** of distributable profits after tax, earlier losses and previous dividends. A proposed **£5,000 total dividend** passes both checks in this example.

The cash reserves are not deducted from the £6,000 again. These are two different tests, not two calculations of profit.

Who receives it? Follow the share rights. With 100 equal, fully paid ordinary shares split 60/40, a £5,000 dividend means £3,000 and £2,000. Being a director alone does not give a right to dividends.

For UK private companies paying ordinary cash dividends to individuals. A sole trader takes drawings, not dividends. Different share classes, waivers, non-cash payments or financial difficulty need a separate check.

CHECK THE RULES Paying dividends and vouchers · Profits, approval and payment · Company records

02 / APPROVE, PAY, KEEP A RECORD

A dividend needs more than a bank transfer.

Use the right approval and paperwork, then plan for the shareholder's own tax.

A practical sequence

1. Confirm the amount
Ask for the available-profit figure and check the cash budget.

2. Approve it properly
For an interim dividend, check the directors' authority and decision rules in the company's articles. Record the actual decision and date, even with one director.

3. Create the vouchers
Prepare a voucher for each shareholder, stating the company, shareholder, payment date and amount. Keep copies with the decision.

4. Pay and tell SBX
Use a clear bank reference. Send the paperwork and payment details so we record the dividend once.

ALREADY TRANSFERRED THE MONEY?

Tell us what happened. Do not backdate minutes or vouchers. An unsupported withdrawal or unlawful dividend needs correcting on its actual facts.

Personal dividend tax in 2026/27

Part of the dividend falling in...	Rate
Your available dividend allowance	0% on up to £500
Basic-rate band	10.75%
Higher-rate band	35.75%
Additional-rate band	39.35%

The £500 allowance is per person, per tax year, across all dividends. It still uses tax-band space. Other income and any unused Personal Allowance affect the calculation.

Example: £20,000 of dividends

Assume £12,570 salary uses the full Personal Allowance, with no other income or adjustments. All the dividends fall in the basic-rate band.

PERSONAL TAX TO PUT ASIDE

(£20,000 − £500) × 10.75% = **£2,096.25**.
You retain **£17,903.75** after that dividend tax. The company still pays the full £20,000 dividend.

Dividends do not reduce Corporation Tax. The company normally pays a UK individual without withholding dividend tax. Send your annual totals to SBX; personal reporting and payments on account may follow. Crediting a dividend to a loan account can count as payment even without a bank transfer. Ask before doing this.

CHECK THE RULES Paying dividends and vouchers · Profits, approval and payment · 2026/27 dividend tax · Income Tax rates and allowances

03 / A COMPLETED EXAMPLE

What the paperwork looks like.

Illustration only: an interim cash dividend for a simple company with two directors and one equal-rights share class.

Example record of directors' decision

Field	Completed example
Company	Example Studio Ltd (fictional)
Company number	[use the actual company number]
Meeting date / place	30 September 2026 / company office
Directors present	Alex Taylor and Morgan Reed
Authority	Articles and required quorum checked; both directors eligible to decide.
Accounts considered	Management accounts to 30 September 2026; distributable profits £6,000.
Cash check	£5,500 available after reserves; no known later deterioration.
Decision	Approve an interim dividend of £50 on each of 100 fully paid ordinary shares: £5,000 in total.
Payment	Bank transfer on 1 October 2026: Alex £3,000; Morgan £2,000.
Record signed	Alex Taylor, chair, 30 September 2026 (illustration only).

Example dividend voucher

Dividend voucher	DV-2026-01
Company	Example Studio Ltd (fictional)
Registered office	[full address]
Company number	[actual company number]
Shareholder	Alex Taylor
Shareholder address	[full address]
Payment date	1 October 2026
Type / class	Interim dividend / ordinary shares
Holding / rate	60 shares × £50 per share
Dividend paid	**£3,000.00**
Authorised by	Alex Taylor, director (illustration only)

ONE DECISION, TWO VOUCHERS

Morgan's separate voucher records **40 shares × £50 = £2,000**. Together the vouchers equal the **£5,000** company dividend.

These examples assume the articles permit the decision and the checks remain satisfied on payment. Final dividends and unusual articles can require different approval. Keep the accounts and cash assessment with the paperwork. Never copy a sample signature or date into a real record.

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04 / REUSABLE PAPERWORK

Complete this before the payment.

Copy this page for a new interim dividend. Replace the prompts, confirm the checks and keep the signed record.

Interim dividend decision record

What to record	Enter the actual details
Company / number	[enter]
Decision date / place	[enter]
Directors deciding	[names; chair or sole decision-maker]
Authority / quorum	[articles checked; any interests addressed]
Accounts / reserves	[accounts date; available profit £]
Cash / later changes	[cash budget checked; changes since accounts]
Share class / number	[class; total eligible fully paid shares]
Dividend approved	[£ per share × shares = total £]
Payment date / method	[actual planned date; cash transfer]
Decision confirmed	[signing name, role, signature and date]

Dividend voucher: one per shareholder

What to record	Enter the actual details
Company / number	[enter]
Registered office	[full address]
Voucher reference	[unique record reference]
Shareholder / address	[name and full address]
Payment date	[actual date]
Type / share class	Interim dividend / [class]
Shares / rate	[number held] × £[dividend per share]
Dividend amount	£[amount paid to this shareholder]
Authorised by	[name, role and date]

FINAL CHECK

[ ] Profits and cash checked
[ ] Share rights and approval checked
[ ] All vouchers match the total
[ ] Payment and records sent to SBX

The worksheet records the decision; it does not itself prove that a dividend is lawful. Confirm the company's actual requirements before use. Keep the signed decision, vouchers and supporting accounts with your company records.

Contact our office or your account manager. info@sbxaccountants.com | 020 7046 1730

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