Low Incomes Tax Reform Group
A voice for the unrepresented

House of Lords Economic Affairs Committee – Finance Bill Sub-Committee
Call for evidence for inquiry into the draft Finance Bill 2016
Further response from the Low Incomes Tax Reform Group (LITRG)

1 During the oral evidence session on Wednesday 27 January 2016, the Chairman asked the witnesses Caroline Miskin and Robin Williamson what would be the reporting obligations of companies in respect of dividends and dividend vouchers when the new regime in clauses 2 and 3 of the draft Finance Bill (dividend nil rate and abolition of dividend tax credit) enters into effect. The witnesses agreed to provide a note for the Committee.

2 Under Corporation Tax Act 2010 (section 1104 ff.), a company must provide a tax certificate to the recipient of a dividend. Currently, this includes the requirement to note the amount of the dividend and the amount of the tax credit. The tax credit is a deemed amount of tax (1/9 of the net dividend), based on the fact that the company has paid corporation tax. So, if a company pays someone a dividend of £90, the taxpayer does not declare £90 to HM Revenue & Customs, they declare £100 (£90 plus £10 tax credit).

3 Accompanying the dividend nil rate is a change to the taxation of dividends – there will no longer be a deemed tax credit (clause 3 of the draft Finance Bill 2016) and the rates of tax will change. So, from 6 April 2016, if a company pays a dividend of £90 to someone, that is the amount they have to declare as their income. In addition, companies will have to change their dividend tax certificates slightly, as they will no longer need to show a tax credit, simply the amount of the dividend.

4 Companies will no doubt continue to have the obligation to provide a dividend voucher, so they will need to amend their templates (draft clause 3 does not suggest that this requirement is to be removed). It is however a relatively minor change and one which will hopefully ensure that taxpayers receive the information they need to get their tax correct.

LITRG
TaxAid

3 February 2016

CHARTERED INSTITUTE OF TAXATION
1st Floor, Artillery House, 11-19 Artillery Row,
London, SW1P 1RT

REGISTERED AS A CHARITY NO 1037771

Tel: +44 (0)20 7340 0550
Fax: +44 (0)20 7340 0559
E-mail: litrg@ciot.org.uk
www.litrg.org.uk

CFE

UK REPRESENTATIVE BODY ON THE
CONFEDERATION FISCALE EUROPEENNE