

## Dividend Nil-Rate

A person does not have to pay tax on the first £2,000 of dividend income, regardless of the level of non-dividend income. Tax is charged on dividends received over £2,000 at the following rates:

- 7.5% on dividend income within the basic rate band
- 32.5% on dividend income within the higher rate band
- 38.1% on dividend income within the additional rate band.

The Dividend Allowance does not reduce total income for tax purposes, and dividends within the allowance still count towards the appropriate basic or higher rate bands. They may therefore affect the rate of tax payable on dividends received in excess of the £2,000 allowance.

### Example 1

This example, based on 2020/21 tax rates and allowances, shows the taxable amounts.

	Non-Dividend Income	Dividend Income
	18,000	22,000
Personal Allowance	12,500-	
Taxable at basic rate (20%)	5,500	-
Taxable at 0% (dividend allowance)		2,000
Taxable at 7.5%		20,000

### Example 2

This example shows a higher rate taxpayer. The Dividend Allowance uses up some of the basic rate band and so less is available to be taxed at 7.5% rather than 32.5%.

	Non-Dividend Income	Dividend Income
--	---------------------	-----------------

Updated 29 April 2020

	35,000	19,000
Personal Allowance	12,500	-
Taxable at basic rate	22,500	
Taxable at 0% (dividend allowance)	-	2,000
Taxable at 7.5% (up to remaining basic rate band)		13,000
Taxable at higher rate (32.5%)	-	4,000