

## Dividend Declarations in Limited Liability

### Companies

For limited liability companies dividends can be declared, dividend payments evaluated and tax vouchers prepared and printed from within the system.

Details of share types, shares authorised and shares in issue together with company members (shareholders) are maintained to provide the base information for dealing with a dividend declaration.

The process in summary is: -

- ◆ Ensure the Company name, number and registered address is accurately held on the system.
- ◆ Check that a least one company officer has been set up.
- ◆ Ensure that details of company members are added and accurate.
- ◆ Set up details of share types and record the authorised numbers.
- ◆ Record the details of the number of shares issued to individual members.

The items above are usually only infrequently updated. The items below apply to any declaration.

- ◆ Enter details of the specific declaration.
- ◆ Inspect the dividend list and when content, distribute the dividend tax vouchers.
- ◆ Pay the dividend in cash.

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## COMPANY NAME, NUMBER AND REGISTERED ADDRESS

This information will appear on the dividend tax voucher given to shareholders. It was entered when the entity was set up; it is maintained via the **PROFILE** menu.

**ENTITY NAME** → **PROFILE** → Inspect or amend the details on the **Business Details** Tab as required.

## COMPANY OFFICERS

An officer's name will appear on the tax voucher. Company officers (Directors and/or Secretaries) are set up and maintained via the **OFFICERS/EMPLOYEES** menu.

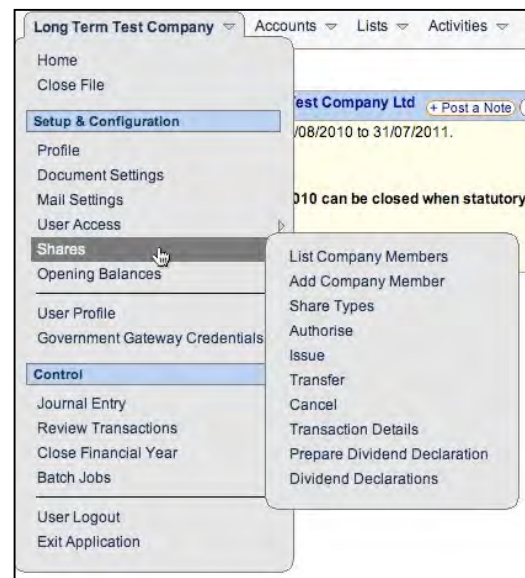
**LISTS** → **OFFICERS/EMPLOYEES** → **LIST OFFICER/EMPLOYEE** → **EDIT** RELEVANT EMPLOYEE → **BUSINESS OFFICES TAB** → **ENTER DETAILS**

OR

**LISTS** → **OFFICERS/EMPLOYEES** → **ADD OFFICER/EMPLOYEE** → **BUSINESS OFFICES TAB** → **ENTER DETAILS**

## SHARES MENU

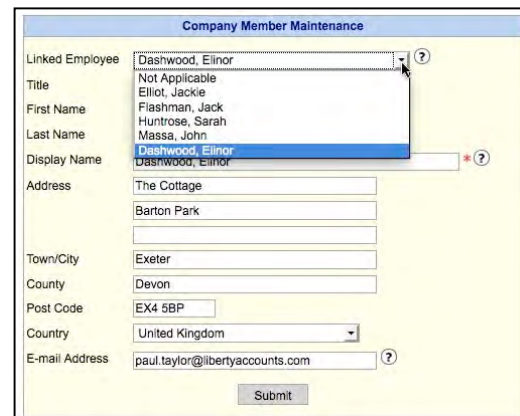
Details of company members, share types, authorising and issuing shares and declaring dividends are entered and maintained via the **Shares** menu accessed from the **Entity Name** menu.



## Entering details of Company Members

Company members are entered and maintained via the **SHARES** menu.

**ENTITY NAME** → **SHARES** → **LIST OR ADD COMPANY MEMBER**





Where the member is also an Officer or Employee, the details can be obtained by clicking the **Linked Employee** dropdown and selecting an appropriate link.

Otherwise enter the relevant details as necessary and available, click **SUBMIT** to store the record.

Enter all the members in a similar manner.

Amend details by listing them and clicking the **EDIT** button adjacent to the relevant member.

Company Member		
	Huntrose, Richard	
	Huntrose, Sarah	
<input type="button" value="Add New"/>		

The  button indicates an email address exists and the tax voucher can be emailed directly to the member from the dividend review screen (see below). The  button shows that no email address has been added.

### Setting up Share Types

Share types to be authorised and issued are entered using the **Share Types** menu.

#### ENTITY NAME → SHARES → SHARE TYPES

#	Share Type	Value	Description	Del
1	Ordinary	1.00	Ordinary 1	
2				
3				
4				
5				
6				
7				
8				

Share Type: Preference \* ?

Nominal value: 10.00 \* ?

Description: F10 Preference Shares \* ?

Enter the details including the nominal value of the shares. Enter as many types as necessary.

### Authorise and Issue shares

The number of authorised shares for each share type is entered in the Authorise Shares screen.

Authorise Shares	
Share Type	Ordinary 1 * ?
Date of Transaction	1/09/2009 * ?
Amount to Authorise	3000 * ?
<input type="button" value="Submit"/>	

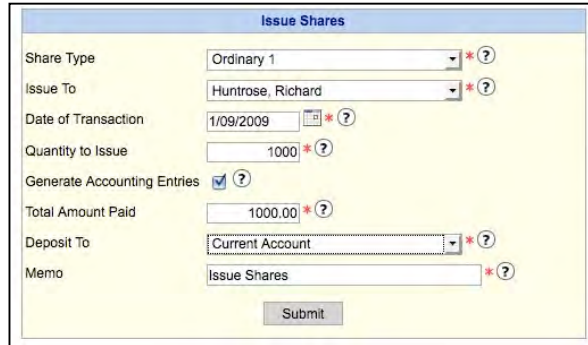
#### ENTITY NAME → SHARES → AUTHORISE

Select the relevant share type from the dropdown box.

Shares are issued to members in the Issue shares screen. Note that shares can only be issued once they have been authorised.

**ENTITY NAME → SHARES → ISSUE**

The **Share Type** to issue is selected and the member to whom they are being issued is selected in the **Issue To** dropdown. Enter the **Quantity to Issue**. If the accounting entries for the subscription monies is required tick the **Generate Accounting Entries** box, if not un-tick. Click **SUBMIT** to store.



Note that shares may be transferred or cancelled using the appropriate menu items.

**ENTITY NAME → SHARES → TRANSFER**

**ENTITY NAME → SHARES → CANCEL**

A summary of all share transactions can be viewed on the screen from the **Transaction Details** menu.

Authorised & Issued Shares			Member Share Balances		
Share Type	Authorised	Issued	Company Member	Share Type	Balance
Ordinary 1	3000	2000	Huntrose, Richard	Ordinary 1	1000
			Mars, Sheila	Ordinary 1	1000

Share Transaction Details					
Date	Transaction Type	Share Type	Company Member	Quantity	
01/09/2009	Authorise	Ordinary 1		3000	(Del)
01/09/2009	Issue	Ordinary 1	Huntrose, Richard	1000	(Del)
01/09/2009	Issue	Ordinary 1	Mars, Sheila	1000	(Del)

A hard copy report of shares balances is available from the **REPORTS** menu.

**REPORTS → MEMBER SHARE BALANCE**

**DECLARING A DIVIDEND**

A dividend is declared from the **Prepare Dividend Declaration** menu.

**ENTITY NAME → SHARES → PREPARE DIVIDEND DECLARATION**

**Dividend Declaration**

Financial Period  \* ?

Dividend Type  Interim  Final \* ?

Share Type  \* ?

Dividend Rate (in pence per share)  \* ?

Approving Company Officer  \* ?

Dividend Declaration Date  \* ?

The Approving User  ?

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I confirm the consequences of this declaration have been reviewed and are understood.



**Important Note: Essentially dividends can only be paid from after tax profits, never losses. If you are at all uncertain as to the situation and the potential tax considerations you are strongly advised to seek professional advice before declaring and paying dividends.**

- ◆ The **Financial Period** from which the dividend is being paid will need to be selected.
- ◆ The **Dividend Type** can be either an **Interim** or **Final** dividend. Only one **Final** dividend is allowed from a particular **Financial Period**.
- ◆ The **Share Type** will need to be selected. The particular declaration will only apply to this **Share Type** and its holders.
- ◆ The **Dividend Rate** needs to be entered as pence per share. So £0.50 per share is entered as 50; £2.50 per share is entered as 250.  
The net dividend is computed as the number of shares held multiplied by the rate per share.
- ◆ Select the **Approving Company Officer**. This name will appear on the dividend tax voucher as the authorising officer.
- ◆ Set the **Dividend Declaration Date**. This date will represent the transaction date and is potentially important for taxation purposes.
- ◆ The **Approving User** is the user making the declaration and in the **Confirmation Tick Box** the user is confirming that the transaction has been reviewed, is appropriate and any consequences have been considered.

A review screen is drawn that presents the details of the dividend declaration.

In addition to the details, the financial consequences are shown in total as well as for the individual members.

The **Minutes** button will produce a PDF file of supporting minutes for the declaration. Although not necessary, the minutes pdf file may be stored on the system to be viewed from Saved Reports under the REPORTS menu by clicking the **SAVE MINUTES** button.

The **Declarations** button will take the user to a screen where the history of declarations is displayed. Individual Dividend Tax vouchers can be displayed (as PDF files) by clicking the  icon adjacent to a member. Although not necessary, each Voucher pdf file may also be stored on the system to be viewed from Saved Reports under the REPORTS menu by clicking the  icon.

By clicking the **Check All** box the greyed out **Vouchers** Button becomes visible to prepare a PDF file with dividend tax vouchers for all members or those selected.

Note, that until approved, all PDF files will be watermarked with “Not Approved”.


Review Shareholder Payments

Status	Pending
Declaration Date	27/07/2011
Financial Period End	31/07/2010
Dividend Type	Interim
Share Type	£1.00 Ordinary Shares
Net Dividend	5,000.00
Tax Credit	555.55
Gross Dividend	5,555.55
Approving Officer	Huntrose, Richard
Approving User	paul (Mr Paul Taylor)

Check All

Action	Shareholder Name	Shares Held	Net Dividend	Tax Credit	Gross Dividend
 <input type="checkbox"/>	Wright, Alan	1500	3,000.00	333.33	3,333.33
 <input type="checkbox"/>	Taylor, Paul	1000	2,000.00	222.22	2,222.22

To approve the declaration, click the **Approve** button. This action will: -

- ◆ Remove the watermark from printable files.
- ◆ Redraw the review screen
- ◆ Present a  (email) icon adjacent to a member to allow the dividend tax voucher to be emailed.
- ◆ Post the accounting transactions.
- ◆ Store the details of the declaration as Approved.

## DIVIDEND APPROVAL MINUTE

A dividend approval minute is prepared by the system for each dividend declaration. The context of the minute is related to the specific approval and no further adjustment is necessary.

For an interim dividend declaration the minute is a **Board Minute** and for a final dividend declaration the minute is a **Shareholders Resolution**.

<b>Minute of a Shareholders Resolution</b>	
Long Term Test Company Ltd	Company Number: 318950
At a meeting of the Shareholders held on 01/10/2010 it was agreed that a final dividend of 200 pence per £1.00 Ordinary Shares for the year end 31/07/2010 be declared payable on 01/10/2010 to Shareholders on the register at the close of business on 01/10/2010.	
Signed:	Huntrose, Richard (Director)

It is recommended that after the approval of the declaration the minute is printed and stored appropriately.

## DIVIDEND TAX VOUCHER

For each member (shareholder) benefiting from a dividend declaration a **Dividend Tax Voucher** is prepared. The context is related to the specific approval and no further adjustment is necessary.



The calculation is

$$tax = \frac{nd}{1 - strs} - nd$$

Where *tax* is the tax credit, *nd* is the net dividend (as declared) and *strs* is the starting tax rate for savings as stored by the system.

The gross dividend is the sum of net dividend plus tax.

## ACCOUNTING ENTRIES

On approval of a declaration the system will post a journal entry as follows: -

**Increase (credit) the Dividend Payable Account with the net dividend  
(Account type = Liability-Current)**

**Increase (Debit) Distribution to Equity Shareholders with the net dividend  
(Account type = Shareholder Funds)**

Note it is the users responsibility to arrange for the actual cash payments to members and record them.

## DIVIDEND DECLARATION HISTORY

The history, details and status of previous declarations are available from **Dividend Declarations** menu.

**ENTITY NAME → SHARES → DIVIDEND DECLARATIONS** or

From the **Declarations** button on the review screen

Status		Go									
<input checked="" type="radio"/> All <input type="radio"/> Pending <input type="radio"/> Approved											
	Status	Declaration Date	Financial Year End	Dividend Type	Share Type	Net Dividend	Tax Credit	Gross Dividend	Vouchers	Minutes	Approving Officer
<a href="#">Review</a>	Approved	01/10/2010	31/07/2010	Final	£1.00 Ordinary Shares	3,000.00	333.33	3,333.33			Huntrose, Richard
<a href="#">Review</a> <a href="#">Del</a>	Pending	06/04/2011	31/07/2011	Interim	£1.00 Ordinary Shares	1,500.00	204.54	1,704.54			Huntrose, Richard
<a href="#">Review</a>	Approved	21/01/2011	31/07/2011	Interim	50 pence Preference Shares	2,500.00	277.78	2,777.78			Huntrose, Richard

The screen can be sorted by **Status**. The **Review** button will return to the declaration review screen to see the details and access the Tax vouchers and minutes.

## REVERSING A DECLARATION

An unapproved declaration can be deleted simply by clicking the **Delete** button on the review screen.

A user with an appropriate **Role** can reverse an approved declaration. This is in two stages: -

1. From the Batch Run History delete the appropriate declaration run.

**ENTITY NAME → BATCH JOBS → BATCH RUN HISTORY**

2. Return to the Dividend Declaration History screen (See above) and a **DEL** button will be visible adjacent to the relevant declaration. Click this to reverse the declaration.

**Obviously reversing an approved declaration needs to be done from the basis of knowledge and understanding of the consequences. If you are in the slightest doubt please seek appropriate professional advice.**