

DIVIDEND TAX

The definition:

- Any amount transferred / applied
- By a resident company
- for the benefit / on behalf of someone
- Due to a share in that company

Deemed Dividends:

- Amount OWING to a company by a directly / indirectly connected person.
- Interest @ market rate x 20% (Apportioned Daily)

Specific Exclusions:

- Reduction in contributed tax capital
- Amount consists of shares in company
- General repurchase by a listed entity.

Top Tip:

Amounts paid by a COMPANY to a SHAREHOLDER = Always an indicator of a DIVIDEND

The Tax Implications:

- Included in Gross Income
- Exempt from normal tax
- 20% withholding tax (excl SA company shareholders)

Discussion Exam Technique:

- Apply the definition - WHY is it considered a dividend.
- Apply the EXEMPTION criteria.
- Calculate the tax

Withholding Tax Implication:

- Cash dividend - Withheld by the distributor
- Asset in specie - Distributor is liable for tax

NB - Always show dividends as follows:

Dividends received XXX
Dividends Exempt (XXX)
Never just OMIT exemptions