

How to plan how much dividend to take

See how much more you can take in dividends before your tax rate goes up, and what it would cost, before you take it.

[Paying Yourself](#)[Self Assessment](#)

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This guide follows on from [how to read your personal tax estimate](#). It shows you how to use the **Forecast** tab of the Personal Tax page to see how much more you could take in dividends this tax year, and what it would cost you in tax, before you take it.

A dividend is a share of your company's profit, paid to you as a shareholder. Two things limit how much you can sensibly take: how much tax you will pay on it, and how much profit your company has available to pay out. The page shows you both.

What "You can take a further £X in dividends" means

You pay tax on dividends at a rate that depends on your total income for the tax year (6 April one year to 5 April the next). As your income passes certain points, the tax on the next pound of dividend goes up. Under **Total tax liability**, we tell you how far you are from the nearest of these points:

The sentence ends with	What happens after that point
before your dividend rate rises	You move from the basic rate to the higher rate, so each further pound of dividend is taxed at a much higher rate. For most directors this is the one that matters.
before the High Income Child Benefit Charge begins	You start to pay back some of your Child Benefit through your tax bill. You only see this if you have added Child Benefit to the page.
before your personal allowance starts to be withdrawn	Over £100,000, you lose £1 of your personal allowance (the amount you can earn before you pay Income Tax) for every £2 of extra income. This makes extra dividends very expensive.
and your personal allowance is fully lost	You reach the highest dividend rate.

The sentence shows the rates that apply to the tax year you are looking at, so you don't need to look them up.

Tax calculation

Total income >	£30,570
Less personal allowance	(£12,570)
Income on which tax is due	£18,000
Dividend income	
Dividend allowance at 0% (£500)	£0
£17,500 at 10.75%	£1,881
Income tax	£1,881
Total tax liability	£1,881

You can take a further £19,700 in dividends before your dividend rate rises from 10.75% to 35.75%. [Add to forecast](#)

Staying under the point is a choice, not a rule. You can take more. The page helps you see what it costs.

When your plan uses up all of the amount in the sentence, the sentence moves on to the next point. It might then say you can take a much larger amount before your personal allowance starts to be withdrawn. That larger amount is not taxed at your old rate. It is taxed at the higher rate the first sentence warned you about.

Distributable reserves

Distributable reserves at the top right is the most your company can legally pay out in dividends today. It is the profit your company has built up, after tax, that has not already been paid out. A company must not pay a dividend bigger than this figure.

The figure comes from your bookkeeping, so it is only right when your bookkeeping is up to date. Invoices you have not raised yet and bank transactions you have not sorted yet will change it.

Distributable reserves

£47,883

The maximum your company can legally declare in dividends right now

A planned dividend is a plan only

Planned further dividend is a what-if figure. It changes the Forecast so you can see the tax, and nothing else. It does not declare a dividend, it does not move any money, and it never counts on the **Actual** tab.

You can type any amount, or let us fill it in:

- **Use headroom** fills in the amount from the sentence above, so you stop just before your tax rate goes up.
- **Use reserves** fills in your distributable reserves, the most your company can pay.
- **Add to forecast**, at the end of the sentence, adds the remaining amount on top of what you have already planned.

When you are happy with the plan, declare the dividend for real from **Manage dividends**.

Once you declare the dividend, it shows in **Dividends** on this page. Come back and clear **Planned further dividend**, then select **Save**. If you leave it, the Forecast counts the same dividend twice.

Common questions

What does "Exceeds distributable reserves" mean?

The dividend you have planned is more than your company can legally pay today. Lower the figure, or bring your bookkeeping up to date first, because that may raise your reserves. If you are not sure, speak to your accountant before you declare anything.

Why is there no Use reserves button?

We only know your company's reserves as they are today, so the button only shows when you are looking at the current tax year and your reserves are above £0.

Can I take more before my tax rate goes up?

Paying into a personal pension or giving to charity under Gift Aid stretches the basic rate band, which means you can receive more before the higher rate starts. Add these with **Add income** and the sentence updates. The calculation shows this as **Basic rate band extended to**. Your accountant can tell you whether it is right for you.

Does this page pay the dividend?

No. It only estimates the tax. A dividend exists once you declare it in **Dividends** and your company pays it to you.

How to do it in Mighty

1 Open Personal Tax and select Forecast

From the menu, choose Taxes, then Personal Tax. Select the Forecast tab at the top right.

ActualForecastExport report

Distributable reserves

£47,883

The maximum your company can legally declare in dividends right now

Tax calculation

Total income >£30,570

Less personal allowance (£12,570)

2 Read the sentence under Total tax liability

It tells you how much more you can take in dividends this tax year before the tax on them goes up.

Tax calculation

Total income >£30,570

Less personal allowance (£12,570)

Income on which tax is due£18,000

Dividend income

Dividend allowance at 0% (£500)£0

£17,500 at 10.75%£1,881

Income tax£1,881

Total tax liability£1,881

You can take a further £19,700 in dividends before your dividend rate rises from 10.75% to 35.75%. [Add to forecast](#)

3 Select Use headroom

In the Salary & dividends card, select Use headroom. Or type your own amount in Planned further dividend.

Salary & dividends

Salary	£12,570
Dividends ⓘ	£18,000

[Manage dividends](#)

Planned further dividend ⓘ

0

Use headroom £19,700

Use reserves £47,883

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4 Check the planned figure

Planned further dividend now shows the amount. If it is more than your company can pay, Mighty shows Exceeds distributable reserves under it.

Salary & dividends

Salary	£12,570
Dividends ⓘ	£18,000

[Manage dividends](#)

Planned further dividend ⓘ

19700

Use headroom £19,700

Use reserves £47,883

Once you declare this dividend in Mighty it syncs into Dividends above, so clear this figure to avoid counting it twice.

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5 See what it does to your tax

The Tax calculation card updates. Select Total income to see how much of your dividends is planned, and check Total tax liability. The sentence underneath now points to the next point where your tax goes up.

Tax calculation

Total income ▾	£50,270
Salary & other employment	£12,570
Dividends	£37,700
<i>of which planned</i>	£19,700
Less personal allowance	(£12,570)

Income on which tax is due £37,700

Dividend income

Dividend allowance at 0% (£500)	£0
£37,200 at 10.75%	£3,999

Income tax £3,999

Total tax liability £3,999

You can take a further £49,730 in dividends before your personal allowance starts to be withdrawn, taking the effective tax rate on further dividends above 50%. [Add to forecast](#)

6 Save, then declare the dividend when you are ready

Select Save at the bottom of the page to keep your plan. To pay the dividend for real, select Manage dividends and declare it there.

Salary & dividends

Salary £12,570

Dividends ⓘ £18,000

[Manage dividends](#)

Planned further dividend ⓘ

19700

[Use headroom £19,700](#)

[Use reserves £47,883](#)

Once you declare this dividend in Mighty it syncs into Dividends above, so clear this figure to avoid counting it twice.

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Related guides

- [Director's Loans Explained](#)
- [Payments on Account Explained](#)

Read this guide online (always the latest version): <https://app.mightyaccounting.com/Knowledge/article/planning-how-much-dividend-to-take>