

Advice Notes

Company dividend payments

Employed persons

Dividend payments paid to employees by their employer and by any associated company are liable for social security purposes.

The Social Insurance (Contributions) Regulations, 2000 as amended provide for this as follows:

(5) (a) In this paragraph “private company” shall mean any limited liability company, wheresoever incorporated, the shares of which are not traded on a recognised public stock exchange; “dividends” includes dividends paid to an employee by a company (“company A”) which is the employer of that employee and by a company which is an associated company of company A and “associated company” means a company which would be an associated company for the purposes of the Companies (Guernsey) Law, 2008 under section 529 of that Law.

(b) Dividends paid to an employee of a private company shall be included in the earnings from his employment by that company except where the Department is satisfied that in all the circumstances of the case it is just and equitable to disregard such dividends.

(c) Where dividends are paid less frequently than wages and would cause the amount of wages, being normally less than the relevant upper weekly or monthly earnings limit, to exceed that limit, they shall be apportioned equally throughout the pay periods to which they relate.

Example one

Four of the employees of a private company are also 25% shareholders. The company has a profitable year and pays a significant annual dividend. The dividend is apportioned over the year it relates to for social security purposes. This results in each of the 4 employee’s monthly earnings exceeding the Upper Earnings Limit. An account for the additional contributions is sent to the employer.

Example two

A trading company is owned by a holding company. Employees of the trading company hold shares in the holding company. The trading company pays an annual dividend to the holding company. In turn the holding company distributes a dividend to its shareholders. For social security purposes this dividend is apportioned over the year it relates to for the employees concerned. An account for the additional contributions is sent to the employer.

Example three

A trading company is owned by a parent company listed on a recognised stock exchange. The parent company pays a dividend out to shareholders some of which are employees of the trading company. These employees are not liable to pay contributions based on this dividend.

Self-employed persons

A dividend relating to a self-employed person's business is included in calculations of liability.

Example four

A self-employed person decides to pay a dividend from their trading company. This payment will normally be included in their personal tax assessment for the tax year of charge in which it was distributed and consequently included in relevant calculations of earned income for social security purposes.

Non-employed persons

All taxable company dividends are included when calculating a contribution rate for the relevant period.