

# User Guide

## Dividend Payments

### TABLE OF CONTENTS

---

Table of Contents .....	0
Dividend Payments.....	0
<i>How to set up the dividend accounts</i> .....	1
<i>How to process dividend payments</i> .....	2

### DIVIDEND PAYMENTS

---

A dividend is a payment made by a corporation to its shareholders, usually as a distribution of profits. Dividends can be classified as: Franked Dividends, Unfranked Dividends or Franking Credits. Generally, this distinction is not made in Xero, but assessed by your Tax Advisor at the end of each financial year.

Small business owners tend to code any payments made to their personal account as dividends. We recommend consulting your Tax Advisor about the proper way to code these payments. This will facilitate the assessment of both the director's personal and company income tax returns at the end of the Financial Year.

If your Tax Advisor has informed you to code some payments to dividends, this user guide provides the correct steps to process them in Xero. More information about dividend payments and their tax implications can also be found on the ATO Website:

<https://www.ato.gov.au/Forms/You-and-your-shares-2013-14/?page=7>

<https://www.ato.gov.au/Business/Private-company-benefits---Division-7A-dividends/>

### SET UP DIVIDENDS ACCOUNTS

Generally, dividends are set up as equity accounts. Make sure you set up one account per shareholder.

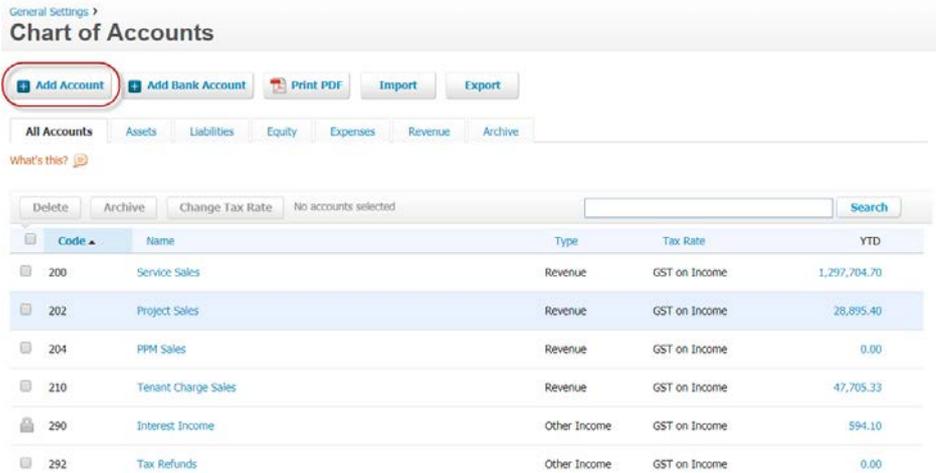
### RECORDING DIVIDEND PAYMENTS

First, create each shareholder as a contact. Dividend payments are recorded as spend money transactions, as generally dividends are paid on a regular basis, Bank Feed rules can be set up to expedite this process.

## How to set up the dividend accounts

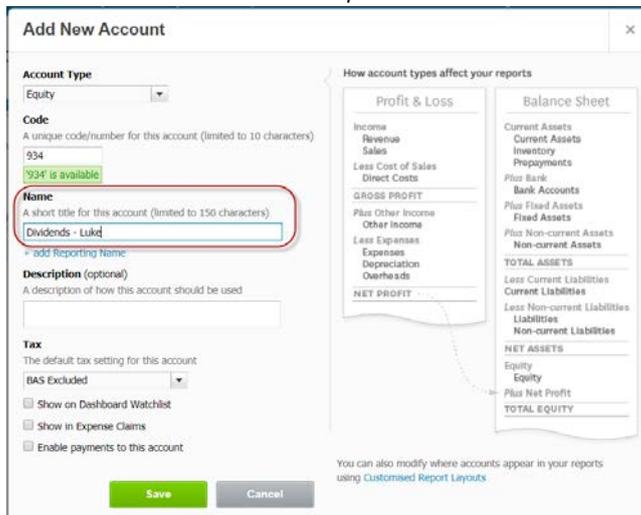
1. Go to Xero → Settings → General Settings
2. Click on [Chart of Accounts](#)

→ The Chart of Accounts screen opens



3. Click on [\[Add Accounts\]](#)

→ The Add New Account screen opens



4. Select/Enter the following details:

- Account Type → Select: **Equity**
- Account Code → Enter a 3 Digit Account code starting with **9**
- Name → Enter: **Dividends - #shareholdername**
- Tax → Select: **BAS Excluded**

5. Click on [\[Save\]](#)

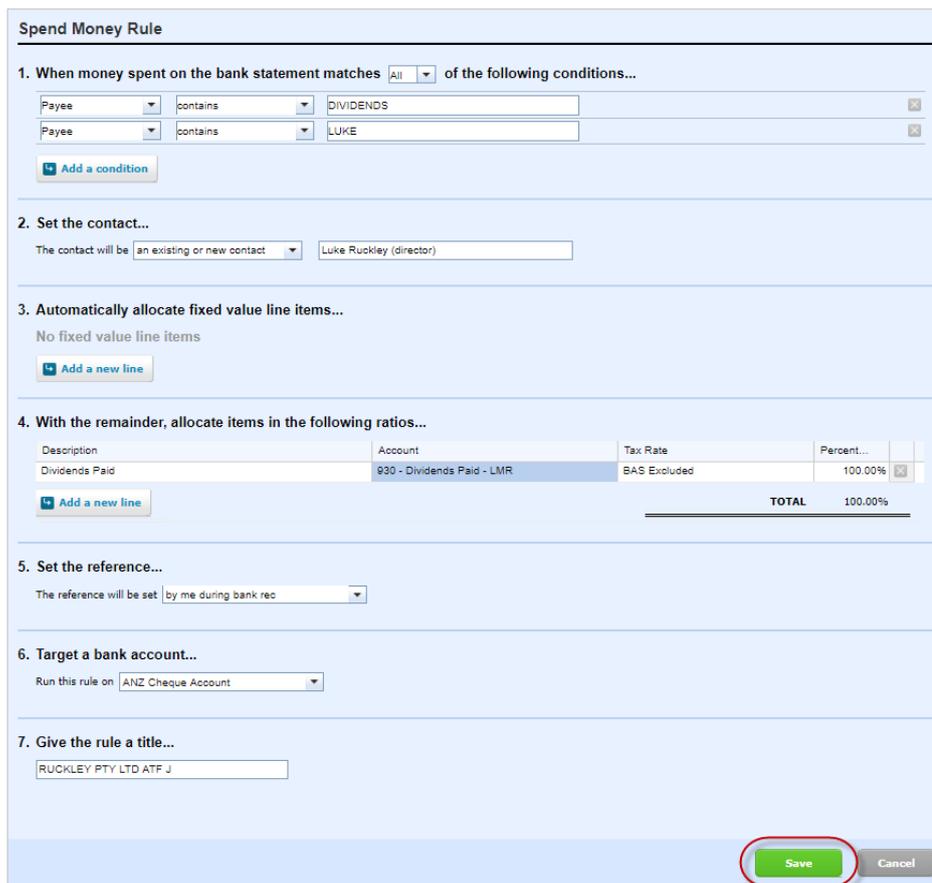
## How to process dividend payments

1. Go to Internet Banking and set up a periodical payment to the Shareholder's personal accounts. Make sure when the set the periodical payment that the payment description includes: the word *dividends* plus the name of the shareholder.
2. Once the first payment is made, the transaction will appear on the bank feeds the following working day.
3. Go to the Bank Transactions

➔ *The Bank Feed Transactions screen opens*

4. Find the Dividend payment transaction and click on **Create Rule**

➔ *The Create rule screen opens*



**Spend Money Rule**

1. When money spent on the bank statement matches **All** of the following conditions...

Payee	contains	DIVIDENDS	X
Payee	contains	LUKE	X

2. Set the contact...

The contact will be **an existing or new contact** **Luke Ruckley (director)**

3. Automatically allocate fixed value line items...

No fixed value line items

4. With the remainder, allocate items in the following ratios...

Description	Account	Tax Rate	Percent...
Dividends Paid	930 - Dividends Paid - LMR	BAS Excluded	100.00%
<b>TOTAL</b>			<b>100.00%</b>

5. Set the reference...

The reference will be set **by me during bank rec**

6. Target a bank account...

Run this rule on **ANZ Cheque Account**

7. Give the rule a title...

**RUCKLEY PTY LTD ATF J**

**Save** Cancel

5. Select/Enter the following details:

- **Step 1:** When money is spend select **ALL** of the following conditions:
  - Payee/Description ➔ Contains: **Dividends - #shareholdername**
- **Step 2:** Set the Contact:
  - The contact will be ➔ An existing contact, Select the shareholder's contact

- **Step 4:** with the remainder allocate the items in the following ratios:
    - Descriptions → Enter: **Dividends Paid**
    - Account → Select the relevant shareholder's equity account
  - **Step 5:** set the reference:
    - The reference will be set → By the Payee/Description
  - **Step 6:** Target a bank account
    - Run this rule on → Confirm the Bank Account
  - **Step 7:** Give the rule a title
    - Rule Title → Enter: **Dividends Paid - #shareholdername**
6. Click on **[Save]**
- *The spend money rule will apply to all further dividend payments*
7. Click on **[OK]** to reconcile the transaction

