

TradeHero LIVE



Dividends

If you hold a position in a company that has decided to distribute a part of its corporate profits to its shareholders, this will be reflected in your position accordingly. Depending on the direction of your position, you will either be eligible to receive the payment or you will need to pay. The dividend adjustment is applied to your account if you still hold your position after the close the day before the ex-dividend day (also called ex-div). The ex-div day is the first day when the share trades without the dividend.

In the case of a **long position** the amount of the dividend that is credited to your account, corresponds to the net dividend (as it has to be adjusted for the taxes paid on dividend income) a holder of equivalent position in the underlying would receive. The sum is equal to number of shares multiplied by the net dividend per share.

Holding a **short position** would mean the opposite, i.e. the holder needs to pay out the dividend. This transaction accounts for the fact that you actually sold the share. You could also look at this that in broad terms, you are the counterparty of the long.

Please bear in mind the fact that the company's share price often falls immediately after the profit distribution takes place.

For long positions in UK companies, you receive 100% of the announced dividend^{††}. For non-UK companies, the dividend may be subject to a withholding tax. For example, a US stock dividend is subject to 30% withholding tax. Being a UK, EU or resident of any other territory holding a double tax treaty with the US, we claim a 15% tax benefit and pass it on to you. Therefore, you'll be credited with 85% of the announced dividend rather than 70%.

In the following table you will find withholding tax rates applied to your account depending on the jurisdiction where the dividend is paid

| Country of Issue | Credit Amount | Debit Amount |
|-------------------------|----------------------|---------------------|
| United Kingdom | 100% | 100% |
| Germany | 73.625% | 100% |
| USA | 85% | 100% |
| Switzerland | 65% | 100% |
| Italy | 80% | 100% |
| Ireland | 80% | 100% |
| Sweden | 70% | 100% |
| France | 70% | 100% |

| Country of Issue | Credit Amount | Debit Amount |
|------------------|---------------|--------------|
| Netherlands | 85% | 100% |
| Belgium | 75% | 100% |
| Portugal | 70% | 100% |
| Spain | 79% | 100% |

Example – long position

Holding a long position in 20,000 shares of XYZ Corporation will entitle you to the dividend payout, providing you hold your position after the close the day before the ex-div date. If the company is going to pay a dividend of 12p per share, and assuming it is a UK company, you will receive 100% of the dividend declared. So a total of £2,400 will be credited to your account. And it will be tax free!

Example – short position

While you are short in 35,000 shares of ABC Company, it goes ex div – the company decided to pay 5p per share. As you need to pay 100% of the declared amount, a total of £1,750 will be deducted from your account.

†† Tax law can be changed or may differ if you pay tax in a jurisdiction other than the UK