

Illustrative example 1

Director-shareholder takes a salary of £31,000 and a net dividend of £27,000 (gross £30,000)

2015/16

	non-savings	dividend	total
gross income	31,000	30,000	61,000
PA	-10,600		-10,600
total	20,400	30,000	50,400

2016/17

	non-savings	dividend	total
gross income	31,000	27,000	58,000
PA	-11,000		-11,000
total	20,000	27,000	47,000

2015/16

Tax cost to director

IT on non-savings income

20,400 20% 4,080

IT on dividends

11,385 10% 1,139
18,615 32.5% 6,050 } 4,188

dividend tax credit

-3,000

ee NI (31,000-8,060)x12%

2,753

Total tax cost of income

11,021

2016/17

Tax cost to director

IT on non-savings income

20,000 20% 4,000

IT on dividends

5,000 0% 0
7,000 7.5% 525 } 5,400
15,000 32.5% 4,875

dividend tax credit

N/A

ee' NI (31,000-8,060)x12%

2,753

Total tax cost of income

12,153

Cash available to director

Salary 31,000
less income tax -4,080
less ee' NI -2,753

net dividend 27,000

tax on dividend -4,188

total cash available **46,979**

Salary 31,000
less income tax -4,000
less ee' NI -2,753

net dividend 27,000

tax on dividend -5,400

total cash available **45,847**

The new dividend tax will cost a director-shareholder an additional £1,132 in tax in 2016/17, in comparison to what he would have paid in 2015/16.