

## Illustrative example 2

Director is a higher rate tax payer and takes small salary up to the level of personal allowance and £80k net dividend

2015/16

	non-savings	dividend	total
gross income	10,600	88,889	99,489
PA	-10,600		-10,600
<b>total</b>	<b>0</b>	<b>30,000</b>	<b>88,889</b>

2016/17

	non-savings	dividend	total
gross income	11,000	80,000	91,000
PA	-11,000		-11,000
<b>total</b>	<b>0</b>	<b>80,000</b>	<b>80,000</b>

2015/16

### Tax cost to director

*IT on non-savings income*

- -

*IT on dividends*

31,785	10%	3,179	} 12,848
57,104	32.5%	18,559	

dividend tax credit

-8,889

ee' NI (10,600-8,060)x12%

305

**Total tax cost of income**

**13,153**

2016/17

### Tax cost to director

*IT on non-savings income*

-

*IT on dividends*

5,000	0%	0	} 17,625
27,000	7.5%	2,025	
48,000	32.5%	15,600	

dividend tax credit

N/A

ee' NI (11,000-8,060)x12%

353

**Total tax cost of income**

**17,978**

### Cash available to director

Salary	10,600
less income tax	-
less ee' NI	-305

Salary	11,000
less income tax	-
less ee' NI	-353

net dividend

80,000

net dividend

80,000

tax on dividend

-12,848

tax on dividend

-17,625

total cash available

**77,447**

total cash available

**73,022**

In 2016/17 the director-shareholder will pay £4,777 more in dividend tax as a result of the legislative changes.