

Example 1

Sole trader with taxable profit of 50,000

	non-savings		
gross income	50,000.00		
PA	-10,600.00		
total	39,400.00		
Income tax			
Basic tax band	31,785.00	20%	6,357.00
Higher tax band	7,615.00	40%	3,046.00
Total income tax			9,403.00
National Insurance			
Class 2	£2.80 x 52		145.60
Class 4	(42,385-8,060)	9%	3,089.25
Class 4	(50,000-42,385)	2%	152.30
Total NI			3,387.15
Total tax cost			12,790.15
Effective tax cost % on 50k			26%
Net cash taken			37,209.85

Example 2

Company has £50k pre-tax profit before salaries and the director draws 8,060 as salary and 41,940 as dividends.

Corporation tax on profit of

Profit before salary and corp. tax 50,000.00

Salary -8,060.00

Profit before tax 41,940.00

	non-savings	dividend	total
gross income	8,060.00	41,940.00	50,000.00
PA	-8,060.00	-2,540.00	-10,600.00
Total	0.00	39,400.00	39,400.00
Income tax			
Dividend	5,000.00	0%	0.00
	26,785.00	7.5%	2,008.88
	7,615.00	32.5%	2,474.88
Total income tax			4,483.75

National Insurance			-
Corporation tax on profit			8,388.00
Total tax cost			12,871.75
Effective tax cost % on 50k			26%
Net cash taken			37,128.25

Example 3

Company has £50k pre-tax profit before salaries and the director draws 20,000 as salary and 30,000 as dividends.

Corporation tax on profit of	
Profit before salary and corp. tax	50,000.00
Gross salary	-20,000.00
Er NI	-
Profit before tax	<u>30,000.00</u>

	non-savings	dividend	total
gross income	20,000.00	30,000.00	50,000.00
PA	-10,600.00	0.00	-10,600.00
Total	9,400.00	30,000.00	39,400.00
Income tax			
Non-savings	9,400.00	20.0%	1,880.00
Tax free allowance	5,000.00	0%	0.00
Basic	17,385.00	7.5%	1,303.88
Higher	7,615.00	32.5%	2,474.88
Total income tax			5,658.75
Employer NI	(10,600-8,112)	13.8%	343.34
NI exemption			-343.34
Employee NI	(10,600-8,064)	12%	304.32
Total NI			304.32
Corporation tax on profit			6,000.00
Total tax cost			11,963.07
Effective tax cost % on 50k			24%
Net cash taken			38,036.93

Example 4

Company has £50k pre-tax profit before salaries and the director draws basic rate salary of 31,785 and 18,215 as dividends.

Corporation tax on profit of

Profit before salary and corp. tax	50,000.00
Gross salary	-31,785.00
Er NI	<u>-266.87</u>
Profit before tax	17,948.13

	non-savings	dividend	total
gross income	31,785.00	18,215.00	50,000.00
PA	-10,600.00	0.00	-10,600.00
Total	21,185.00	18,215.00	39,400.00
Income tax			
Non-savings	21,185.00	20.0%	4,237.00
Dividend	5,000.00	0%	0.00
	5,600.00	7.5%	420.00
	7,615.00	32.5%	2,474.88
Total income tax			7,131.88
National Insurance	(31,785-8,112)	13.8%	3,266.87
NI exemption			-3,000.00
	(31,785-8,064)	12%	2,846.52
Total NI			3,113.39
Corporation tax on profit			3,589.63
Total tax cost			13,834.90
Effective tax cost % on 50k			28%
Net cash taken			36,165.11

Example 5

Company has £50k pre-tax profit before salaries and the director draws salary of 45,000 and 5,000 as dividends.

Corporation tax on profit of

Profit before salary and corp. tax	50,000.00
Gross salary	-45,000.00
Er NI	-3,090.54
Profit before tax	<u>1,909.46</u>

	non-savings	dividend	total
gross income	45,000.00	5,000.00	50,000.00
PA	-10,600.00	0.00	-10,600.00
Total	34,400.00	5,000.00	39,400.00
Income tax			
Non-savings	31,785.00	20.0%	6,880.00
	2,615.00	40.0%	1,046.00
Dividend	5,000.00	0%	0.00
Total income tax			7,926.00
Employer NI	(45,000-8,112)	13.8%	5,090.54
NI exemption			-2,000.00
Employee NI	(42,384-8,064)	12%	4,118.40
	(45,000-42,384)	2%	52.32
Total NI			7,261.26
Corporation tax on profit			381.89
Total tax cost			15,569.16
Effective tax cost %			31%
Net cash taken			34,430.84