

# TAX PLANNING FOR DIRECTORS 2015/16

This article considers tax efficient remuneration planning and assumes no additional income from investments etc.

## INCOME TAX AND NATIONAL INSURANCE

If your company is relatively new or you've only previously taken your remuneration through salary, then with the right level of remuneration split between salary and dividend it's possible to:-

- Avoid any Income Tax or NIC for a shareholder director
- Achieve a state pension credit for the director at no extra cost
- Leave profits in the company which can be taxed at a rate of 10% (via capital gains tax) when and if the director sells their shares or the company ceases trading.

## SALARY

If you take a salary of £8,060 (2015/16) no NIC charge will be triggered, neither employee nor employer, but you will qualify for a credit towards state pension. The salary will qualify as a deduction for corporation tax purposes and reduce corporation tax by £1,612.

## DIVIDENDS

Your company doesn't gain anything by paying dividends as they are not deductible for corporation tax purposes. However assuming you have no other income e.g. from pensions or investments including bank/B. Society deposits, then as a director shareholder you can take £30,893 in dividends as well as the £8,060 salary above without triggering any tax. This gives a total net income of £38,953 (£30,893 + £8,060). Spouses and unmarried partners, provided both are director shareholders, can take £38,953 each giving a total income of £77,906.

*(This is all possible because at this level of income you are utilising your £10,600 personal allowance and 20% tax band in which dividends are taxed at 10% but you receive a 10% notional dividend credit in recognition of the fact that dividends come from profits that have already been taxed)*

*There is an another option utilizing the Employers NIC Allowance, however in an expanding business which is increasing staffing levels or remuneration levels you can easily fall foul this option. Please contact us for an individual assessment.*

## SETTING YOUR REMUNERATION PACKAGE FOR 2015/16

Tax allowances,

National Insurance

thresholds and Income

Tax bands have now

been confirmed for tax

year 2015/16, making

it possible to calculate

the optimum levels of

salary and dividends

for tax efficiency.



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