

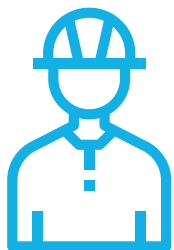
You and your Ltd company are separate entities, which means you will pay tax in different ways.

YOUR COMPANY



- Pays Corporation Tax @ 19% on the net profits.
- Corporation tax is calculated at the company year end
- Must be paid 9 months + 1 day after the end of the company year

YOU



- Pay tax on your total income at variable rates depending on your income type (Salary, Dividends and bonuses etc.)
- Your personal tax is calculated at the tax year ending 5th April
- Your personal taxes must be paid by 31 January the following year

HOW DOES THIS WORK?

Below is an example of a director taking £8,784 through PAYE and withdraws further dividends of £45,000. The table below shows how this would be taxed.



- Directors salary £8,784
- Dividends £45,000

		Tax
Directors Salary	£8,784	£0
DIVIDENDS:		
Tax free included as part of your Personal Allowance	£3,716	£0
Tax free - as part of the annual dividend allowance	£2,000	£0
Taxed at 7.5% basic rate	£35,500	£2,662.50
Taxed at 32.5% higher rate	£3,784	£1,229.80
	£45,000	£3,892.30

- The example above is based on the director having no other source of income.
- Dividends can only be withdrawn from a Ltd company providing there is enough profit in the company to do so
- The tax rates are based on 2020/21