

YogaTax - Part of Whitefield Tax
Example of Tax Liabilities for a Company
2023-24 Tax rates (England and Wales)



Looking at Sole Trader v Company in More Depth

Assumptions

Directors salary set at £12,000 which is typically the most efficient level
 All profit is taken as dividend
 There is only one shareholder

Sole Trader Profit £25,000	£		£
Income Tax			
Personal Allowance	12,570	0.0%	-
Basic Rate tax on	<u>12,430</u>	20.0%	2,486
	<u>25,000</u>		
Class 2 NI			
52 weeks @	3.45		179
Class 4 NI			
Lower limit	12,570		
Charge on	<u>12,430</u>	9.0%	<u>1,119</u>
	<u>25,000</u>		
Total Tax and NI			<u>3,784</u>

Company Profit £25,000

Corporation Tax			
Profit pre directors salary	25,000		
Directors salary	(12,000)		
Employers NI	<u>(400)</u>		
Profit for Corporation Tax	12,600	19.0%	2,394
Less Corporation Tax	<u>(2,394)</u>		
Profit after tax (=dividend in this example)	<u>10,206</u>		
NI on Directors Salary			
Employers NI			
Employers Threshold	9,100		
Employers NI due on	<u>2,900</u>	13.8%	400
	<u>12,000</u>		
Employees NI			
Employees Threshold	12,570		
Employees due on	<u>-</u>	12.0%	-
	<u>12,570</u>		

	Salary	Dividend	Dividend Tax %
Personal Allowance	12,000	570	

Dividend Allowance	-	1,000		
Basic Rate	-	8,636	8.8%	756
	<u>12,000</u>	<u>10,206</u>		

Total Tax and NI 3,550

Company saves Tax of 234

Sole Trader Profit £75,000 £ £

Income Tax				
Personal Allowance	12,570		0.0%	-
Basic Rate tax on	37,700		20.0%	7,540
Higher Rate tax on	24,730		40.0%	9,892
	<u>75,000</u>			

Class 2 NI
52 weeks @ 3.45 179

Class 4 NI				
Lower limit	12,570			
Upper limit	50,270			
Charge at Main Raate	37,700		9.0%	3,393
Charge at Excess Rate	24,730		2.0%	495
	<u>24,730</u>			

Total Tax and NI 21,499

Company Profit £75,000

Corporation Tax				
Profit pre directors salary	75,000			
Directors salary	(12,000)			
Employers NI	(400)			
Profit for Corporation Tax	62,600		20.5%	12,839
Less Corporation Tax	(12,839)			
Profit after tax (=dividend in this example)	<u>49,761</u>			

NI on Directors Salary				
Employers NI				
Employers Threshold	9,100			
Employers NI due on	2,900		13.8%	400
	<u>12,000</u>			

Employees NI				
Employees Threshold	12,570			
Employees due on			12.0%	-
	<u>12,570</u>			

Salary Dividend Dividend Tax %

Personal Allowance	12,000	570		
Dividend Allowance	-	1,000		
Basic Rate	-	36,700	8.8%	3,211
Higher Rate	-	11,491	33.8%	3,878
	<u>12,000</u>	<u>49,761</u>		
Total Tax and NI				<u>20,329</u>
Company saves Tax of				<u>1,170</u>