

SELF-EMPLOYED?

*Could you save tax by incorporating your business?
You're about to find out!*



WHY INCORPORATE?

As a self-employed individual, you pay tax at different rates depending on how much you earn.

*Earnings below **£12,570** are **tax free**.*

*Earnings up to **£50,270** are taxed at the basic-rate: **20%***

*Earnings up to **£150,000** are taxed at higher-rate: **40%***

*And above that, you pay **45%**. Almost half!*

*You pay **National Insurance Contributions** on top of that...*

But what about companies? Read on...

WHAT COMPANIES PAY

Limited companies pay corporation tax at a flat rate of **19%**.

On earnings below **£12,570**, they pay a lot more.

They pay **1% less** on earnings below **£50,270**.

And **21% less** on earnings below **£150,000**

They pay **26% less** on earnings above this.

Companies only pay **National Insurance Contributions** if they pay staff earning above **£737** per month. However, the company can claim a corporation tax deduction on this.

Once that's paid, how do you withdraw profits?

TAKING A SALARY

As a director & shareholder, withdrawing a small monthly salary allows you to withdraw profits from the company, utilising your tax free allowance.

*TaxKings recommends a tax-efficient salary of **£736** per month. This avoids the need to pay national insurance contributions, while still working towards your state pension.*

Company shareholders can withdraw remaining profits as dividends. They are taxed on dividend withdrawals, with very favourable rates. Swipe to find out more!

DIVIDEND TAX

After the company reports its profits at year end, it can distribute them to its shareholders as dividends.

*They pay no tax on dividends until they have used their full tax-free allowance of **£12,570***

*They also receive an extra **£2,000** tax free dividend allowance.*

*Dividends up to **£50,270** are taxed at only **7.5%**!*

*Dividends up to **£150,000** are taxed at **32.5%***

*Above that, they are taxed at **38.1%***

IS IT RIGHT FOR ME?

*Since self-employed individuals get a tax-free allowance, you actually will pay **more** tax through incorporating if you are earning less than **£12,570**.*

*Those in the upper-end of the basic-rate tax band can expect to see tax savings of circa **£1,000** and above, but those with profits exceeding **£50,270** can save thousands of pounds.*

As profits increase, the savings do decrease, but ultimately it is still beneficial for those earning £100k or more.

TAKING THE PLUNGE?

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*If you need further assistance, we have more guides available on **our website** or you can reach us at:*

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