



- Chartered Certified Accountants -

Q&A

WITH
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Business Owners Beware

Do you own a business and take a mix of salary and dividends each month? Beware, as the playing field is changing from April 2016.

We will all witness the introduction of the new “dividend tax”. Currently dividends are tax free for basic rate taxpayers, a 25% charge for higher rate taxpayers and 30.6% for those earning over £150,000. This will be increased to 7.5%, 32.5% and 38.1% respectively.

HM Revenue & Customs have also said that the first £5,000 of dividends will be taxed at 0%, rather than the 7.5% rate.

A typical husband and wife company, for instance, may decide to pay themselves a dividend of £2,500 each per month - £30,000 for the year. Currently this is tax free and the Company has already suffered a 20% tax charge on its profits of course.

From April next year, there will be an additional personal annual tax charge of £1,875 per shareholder on that level of dividend.

How can you minimise this tax charge? Consider whether it would be worthwhile to pay more dividends prior to April 2016, albeit other issues may dictate otherwise. Ensure maximum use is being made of all available basic rate tax bands this year.

Explore other ways of extracting money from your company.

Whatever you decide, do talk to your accountant because EVERY owner needs to consider what options are best suited for their needs.

**To see how we can help you, please contact us on
01202 950527 or email info@bkbaccountants.co.uk**