

Example 2 – Business Profits £60,000

Single Director Company

Not eligible for Employment Allowance in 2016/17

	Wages & Dividend 2016/17	Wages Only 2016/17	Last Year (Good Times) 2015/16
Gross Wages	8,060	53,708	10,600
Employer NIC's at 13.8% above £8112	-	6,292	-
Employee PAYE & NIC's	-	15,090	304
Employee Net Wages	8,060	38,618	10,296
Corporation Tax	10,388	-	9,880
Dividend	41,552	-	39,520
Personal Tax on Dividends	4,174	-	3,032
Total cost to Company	60,000	60,000	60,000
Total of all Taxes paid to HMRC	14,562	21,382	13,216
Net amount kept from £60,000	45,438	38,618	46,784
Proportion Paid to HMRC – “Effective Tax Rate”	24.30%	35.60%	22.00%

Gross Wages plus Employers NIC cost the business 60,000 for full wage
Assumes no income from other sources