

Taxing Small Business - Year End 5 April 2012

	EMPLOYED	SOLE TRADER	LTD CO - SALARY	LTD CO - DIVIDENDS
Income Tax				
0 - £7,475	0%	0%	0%	0%
£7,476 - £42,475	20%	20%	20%	
£42,476 - £100k	40%	40%	40%	
£100k to £150k	40% (gradual loss of personal allowance)			
> £150,000	50% (no personal allowance)			

National Insurance

Class 1 Employees £7,228 - £42,484	12% Then 2%		12% Then 2%
Class 1 Employers > £7,072			13.8%
Class 2 fixed		£2.50 week	
Class 4 £7,225 - £42,475		9% Then 2%	

Corporation Tax - on profits	
£0 - £300k	20%
£300k - £1.5m	marginal relief
> £1.5m	26%

Employed Salary: Once salary rises above £100,000, the personal allowance reduces by £1 for every £2 of income above the £100,000 limit so you reach a point where the 20% tax then applies to the first £7,475 of salary as well.

Sole Trader: Income Tax and NI due on profits not sales. Use expenses wisely to reduce declared profits.

Ltd Company: Taking a salary means paying Employers NI as well as Employees NI so the most common structure is "small salary, big dividends". Employers NI is a business expense but still "money out". Dividends are free of NI and attract a reduced income tax charge at higher rates (not shown).

This table is a summary of the tax position and does not constitute financial advice. Please consult an accountant before making any decisions based on this information. These rates only apply in the tax year end 5th April 2012. www.andrewhalfacre.co.uk