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5. Business Tax Planning Strategies

In circumstances where the owners of a business are the shareholders, there is considerable scope for deciding how profits should be taken out of a company.

Firstly, this involves deciding whether to take profit as a salary and/or a dividend.

There are many factors we consider when reviewing whether it is better to take a salary or a dividend:

1. Whether the taking of the dividend is a one-off event
2. Whether the taking of the dividend is to substitute salary and bonus as income
3. Whether a substantial reduction in salary will result and for how long
4. The profitability of the company now and in the future (ability to pay dividends)
5. Whether the taking of the dividend substitutes for a bonus payment to be more tax efficient and to save NICs
6. The corporation tax rates of the company and the tax payable before the dividends are paid – to determine the actual tax efficiency of the payment
7. Possible impact on share valuations if dividends are paid regularly
8. Impact on pension contributions
9. Impact on pension benefits and tax-free lump sums
10. Impact on group life/death in services benefits, group critical illness cover, PHI for income replacement and other benefits calculated by reference to salary
11. Individual tax rates of the shareholders
12. Number of shareholders and whether they all qualify
13. Corporate financial planning implications of suggested strategy
14. Aligning corporate financial planning with individual personal financial planning needs and requirements
15. Risk assessment, compliance and safety aspects
16. Balance in remuneration planning is required throughout.

Call us to book in your business tax planning session