

**Annual Gross Income - Tax Breakdown & Comparison**

**Tax Year Ending**

**5<sup>th</sup> April 2020**

**Self-Employed Person**

Self-Employed Profit = £50,000.00

**INCOME TAX:**

Tax Free Personal Allowance = £12,500.00

Total Taxable Income after Allowances = £37,500.00

- *Basic Rate Tax (first £37,500) at 20% = £7,500.00*

**Total Tax Deducted £7,500.00**

**NATIONAL INSURANCE CONTRIBUTIONS:**

Class 4 National Insurance Contribution Allowance = £8,632.00

Income Subject to Class 4 National Insurance Contributions = £41,368.00

- *Class 4 National Insurance Contributions (first £41,368.00) at 9% = £3,723.12*
- *Class 2 National Insurance Contributions (fixed rate) = £156.00*

**Total Class 4 & Class 2 National Insurance Contributions Deducted £3,879.12**

---

**TOTAL TAX & NATIONAL INSURANCE CONTRIBUTIONS OWED TO HMRC = £11,379.12**

---

**NET INCOME RETAINED AFTER TAX & NATIONAL INSURANCE CONTRIBUTIONS = £38,620.88**

---

Annual Gross Income - Tax Breakdown & Comparison

Tax Year Ending

5<sup>th</sup> April 2020

Limited Company Trader

Limited Company Profit Before Tax = £50,000.00

Less: Wages Taken = £12,000.00 (Wages taken by owner under a Contract of employment)

**CORPORATION TAX: - Due on remaining £38,000.00 (Provided no reliefs applicable)**

Corporation Tax Main Rate at 19% = £7,220.00

Profits Retained Distributable as Dividends = £30,780.00

**INCOME TAX CALCULATION:**

Total Income Received = £42,780.00 (£12,000.00 as a wage & £30,780.00 as Dividends)

**Tax Free Personal Allowance = £12,500.00**

**Dividend Allowance = £2,000.00**

Total Taxable Income after Dividend & Personal Allowance = £28,280.00

*Dividend Basic Rate Tax (on £28,280.00) at 7.5% = £2,121.00*

*Employee Class 1 N.I.C. = £404.16 (12% ON £3,368)*

Total Income Tax & N.I.C. Deducted = **£2,525.16**

**TOTAL CORPORATION TAX & INCOME TAX OWED TO HMRC = £9,745.16**

---

**NET INCOME RETAINED AFTER CORPORATION TAX & INCOME TAX = £40,254.84**

---

**TOTAL PAID ON £50,000.00 THROUGH LIMITED COMPANY INCOME = £9,745.16**

---

**YOU WOULD BE £1,633.96 BETTER OFF TRADING THROUGH A LIMITED COMPANY**

---