

Salary and Dividend Illustrations for Tax Year 2021/2022

Contents

Introduction	P.1
Illustration for companies with a single Director and no employees	P.2
Illustration for companies that have at least 1 employee other the director	P.3
Scottish Rate of Income tax (SRIT)	P.4
Illustration for companies with a single Director and no employees under SRIT	P.5
Illustration for companies that have at least 1 employee other the director under SRIT	P.6
IR35: Our Switch Service with JSA Umbrella	P.7
IR35: FAQs and resources	P.8

Important:

**We will require your written / email instruction to run your company's payroll and submit RTI to HMRC.
Only EPS (nil return) can be submitted for non-responding clients**

Introduction

From 6 April 2021, personal allowance will slightly increase to £12,570 and the threshold for Class 1 employee's (PT) and employer's (ST) NIC will also raise to £9,568 and £8,840 per annum respectively. The dividend allowance will remain at £2,000. We have put together these illustrations to demonstrate the effect of the changes in order to assist limited company directors to make a decision on their 2021/22 salary.

	2021/22	2020/21
Personal Allowance	£12,570	£12,500
Class 1 Employee's NIC Threshold (PT)	£9,568	£9,500
Class 1 Employer's NIC Threshold (ST)	£8,840	£8,788
UK Higher Tax Rate Threshold	£50,270	£50,000
UK Additional Tax Rate Threshold	£150,000	£150,000
Dividend Allowance	£2,000	£2,000



Received an inside IR35 contract? Check out our new Switch service on page 7

Confused by IR35 and Off Payroll Rules? See our FAQs and Resources on page 8 for some answers

For contractors who are the only director and employee of their company, please refer to our calculations on page 2 (page 5 for Scottish tax payer) as Employment Allowance is not available for your company so please consider the cost of employer's NIC for salary over the NIC threshold of £8,840.

For companies that have an additional employee paid above the NIC threshold other than the director, Employment Allowance will be available if the employee's salary is over NI threshold. So it is worth considering a slightly higher salary set up to utilise this allowance. Please see our summaries on page 3 (page 6 for Scottish tax payer) for your reference.

The 'most tax efficient' model included in our illustrations is an example based on the assumption that one does not have any other income, it is not a 'one size fit all' solution. **Please consult with our accountants for tailored advice.** Employers must also consider the National Minimum Wage and auto-enrolment threshold for pension purposes. Employees who are not a director of the company should be paid at a commercial rate reflecting their contribution to the business.

These illustrations are only suitable for clients who are outside of IR35 or those who are not affected by the off payroll rules. For contractors that are caught inside of IR35, please see additional information on page 7.

Important: Our computations are for your reference only. Actual tax and NIC liabilities will be different subject to individual circumstances. Please speak to our accountants for more information and bespoke advice.

Salary / Dividend illustration for companies with a single Director and no employees for tax year 2021/22 - Not eligible for Employment Allowance

	Illustration 1 <i>On National Living Wages</i>	Illustration 2 <i>At Personal allowance</i>	Illustration 3 <i>At auto-enrolment threshold</i>	Illustration 4 <i>At PT Threshold</i>	Illustration 5 <i>At Lower earning limit for NI</i>
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Personal Allowance	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)
Taxable Amount	4,804.50 @ 20%	0.00 @ 20%	0.00 @ 20%	0.00 @ 20%	0.00 @ 20%
	960.90	0.00	0.00	0.00	0.00
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Primary threshold	(9,568.00)	(9,568.00)	(9,568.00)	(9,568.00)	(9,568.00)
Amount for Employee's NIC	7,806.50 @ 12%	3,002.00 @ 12%	432.00 @ 12%	0.00 @ 12%	0.00 @ 12%
	936.78	360.24	51.84	0.00	0.00
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Secondary threshold	(8,840.00)	(8,840.00)	(8,840.00)	(8,840.00)	(8,840.00)
Amount for Employer's NIC	8,534.50 @ 13.8%	3,730.00 @ 13.8%	1,160.00 @ 13.8%	728.00 @ 13.8%	0.00 @ 13.8%
	1,177.76	514.74	160.08	100.46	0.00
Employer allowance	Not Eligible	Not Eligible	Not Eligible	Not Eligible	Not Eligible
PAYE and NIC Payable	3,075.44	874.98	211.92	100.46	0.00
Corporation Tax					
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Employer's NIC	1,177.76	514.74	160.08	100.46	0.00
Deductible for CT	18,552.26 @ 19%	13,084.74 @ 19%	10,160.08 @ 19%	9,668.46 @ 19%	6,240.00 @ 19%
	3,524.93	2,486.10	1,930.42	1,837.01	1,185.60
Net Tax (Saving) / Cost	(449.49)	(1,611.12)	(1,718.50)	(1,736.54)	(1,185.60)

Dividend tax illustrations - for taking dividends up to the higher tax rate threshold of £50,000

	Illustration 1	Illustration 2	Illustration 3	Illustration 4	Illustration 5
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Personal Allowance (PA)	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)
Salary over / (under) PA	4,804.50	0.00	(2,570.00)	(3,002.00)	(6,330.00)
Basic Rate Band	37,700.00	37,700.00	37,700.00	37,700.00	37,700.00
Dividend under basic rate	32,895.50	37,700.00	40,270.00	40,702.00	44,030.00
Dividend covered by PA	0.00	0.00	(2,570.00)	(3,002.00)	(6,330.00)
Dividend allowance	(2,000.00)	(2,000.00)	(2,000.00)	(2,000.00)	(2,000.00)
Dividend Tax	30,895.50 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%
	2,317.16	2,677.50	2,677.50	2,677.50	2,677.50
Overall tax and NI cost	1,867.67	1,066.38	959.00	940.96	1,491.90

*Note: The 'most tax efficient' model included above is an example based on the assumption that one does not have any other income, it is not a 'one size fit all' solution. Please consult with our accountants for tailored advice.

Salary / Dividend illustration for companies that have at least 1 employee other the director earning over NI threshold for tax year 2021/22 - Eligible for Employment Allowance

	Illustration 1 <i>On National Living Wages</i>	Illustration 2 <i>At Personal allowance</i>	Illustration 3 <i>At auto-enrolment threshold</i>	Illustration 4 <i>At PT/ST Threshold</i>	Illustration 5 <i>At Lower earning limit for NI</i>
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Personal Allowance	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)
Taxable Amount	4,804.50 @ 20%	0.00 @ 20%	0.00 @ 20%	0.00 @ 20%	0.00 @ 20%
	960.90	0.00	0.00	0.00	0.00
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Primary threshold	(9,568.00)	(9,568.00)	(9,568.00)	(9,568.00)	(9,568.00)
Amount for Employee's NIC	7,806.50 @ 12%	3,002.00 @ 12%	432.00 @ 12%	0.00 @ 12%	0.00 @ 12%
	936.78	360.24	51.84	0.00	0.00
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Secondary threshold	(8,840.00)	(8,840.00)	(8,840.00)	(8,840.00)	(8,840.00)
Amount for Employer's NIC	8,534.50 @ 13.8%	3,730.00 @ 13.8%	1,160.00 @ 13.8%	728.00 @ 13.8%	0.00 @ 13.8%
	1,177.76	514.74	160.08	100.46	0.00
Employer allowance	(1,177.76)	(514.74)	(160.08)	(100.46)	0.00
PAYE and NIC Payable	1,897.68	360.24	51.84	0.00	0.00
Corporation Tax					
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Employer's NIC	0.00	0.00	0.00	100.46	0.00
Deductible for CT	17,374.50 @ 19%	12,570.00 @ 19%	10,000.00 @ 19%	9,668.46 @ 19%	6,240.00 @ 19%
	3,301.16	2,388.30	1,900.00	1,837.01	1,185.60
Net Tax (Saving) / Cost	(1,403.48)	(2,028.06)	(1,848.16)	(1,837.01)	(1,185.60)

Dividend tax illustrations - for taking dividends up to the higher tax rate threshold of £50,000

	Illustration 1	Illustration 2	Illustration 3	Illustration 4	Illustration 5
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Personal Allowance (PA)	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)
Salary over / (under) PA	4,804.50	0.00	(2,570.00)	(3,002.00)	(6,330.00)
Basic Rate Band	37,700.00	37,700.00	37,700.00	37,700.00	37,700.00
Dividend under basic rate	32,895.50	37,700.00	40,270.00	40,702.00	44,030.00
Dividend covered by PA	0.00	0.00	(2,570.00)	(3,002.00)	(6,330.00)
Dividend allowance	(2,000.00)	(2,000.00)	(2,000.00)	(2,000.00)	(2,000.00)
Dividend Tax	30,895.50 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%
	2,317.16	2,677.50	2,677.50	2,677.50	2,677.50
Overall tax and NI cost	913.69	649.44	829.34	840.49	1,491.90

*Note: The 'most tax efficient' model included above is an example based on the assumption that one does not have any other income, it is not a 'one size fit all' solution. Please consult with our accountants for tailored advice.

Scottish rate of Income Tax (SRIT)

Scotland Act 2016 provides the Scottish Parliament with the power to set all income tax rates and bands (except the personal allowance, which remains reserved) that will apply to Scottish taxpayers' non-savings, non-dividend (NSND) income for tax year 2021/22. Scottish income tax is only payable by Scottish taxpayers. HMRC will determine whether or not you are a Scottish taxpayer based on where your main place of residence is.

The Scottish Parliament set the following income tax rates and bands for 2021/22:

Starter Rate	From £12,571 to £14,667	19%
Basic Rate	From £14,668 to £25,295	20%
Intermediate Rate	From £25,296 to £43,660	21%
Higher Rate	From £43,661 to £150,000	41%
Top Rate	From 150,001	46%

Since the Scottish rates and thresholds apply to earned income (e.g. employment salary, rental profit, pension or profit from self-employment) only, a Scottish taxpayer with interest and dividend income may have to consider both the UK rates and thresholds (for interest and dividend) and the Scottish rate and thresholds (for earned income) in order to assess their income tax liability.

Due to this reason, our dividend tax illustrations for SRIT will be using the UK tax rates and thresholds and not the above Scottish rates and thresholds.

Salary / Dividend illustration for companies with a single Director and no employees for tax year 2021/22 - Not eligible for Employment Allowance

	Illustration 1 <i>On National Living Wages</i>		Illustration 2 <i>At Personal allowance</i>		Illustration 3 <i>At auto-enrolment threshold</i>		Illustration 4 <i>At PT/ST Threshold</i>		Illustration 5 <i>At Lower earning limit for NI</i>	
Salary	17,374.50		12,570.00		10,000.00		9,568.00		6,240.00	
Personal Allowance	(12,570.00)		(12,570.00)		(12,570.00)		(12,570.00)		(12,570.00)	
Taxable Amount	4,804.50		0.00		0.00		0.00		0.00	
Scottish starter tax rate	2,097.00 @ 19%	398.43	0.00 @ 19%	0.00	0.00 @ 19%	0.00	0.00 @ 19%	0.00	0.00 @ 19%	0.00
Scottish basic tax rate	2,707.50 @ 20%	541.50	0.00 @ 20%	0.00	0.00 @ 20%	0.00	0.00 @ 20%	0.00	0.00 @ 20%	0.00
	4,804.50		0.00		0.00		0.00		0.00	
Salary	17,374.50		12,570.00		10,000.00		9,568.00		6,240.00	
Primary threshold	(9,568.00)		(9,568.00)		(9,568.00)		(9,568.00)		(9,568.00)	
Amount for Employee's NIC	7,806.50 @ 12%	936.78	3,002.00 @ 12%	360.24	432.00 @ 12%	51.84	0.00 @ 12%	0.00	0.00 @ 12%	0.00
Salary	17,374.50		12,570.00		10,000.00		9,568.00		6,240.00	
Secondary threshold	(8,840.00)		(8,840.00)		(8,840.00)		(8,840.00)		(8,840.00)	
Amount for Employer's NIC	8,534.50 @ 13.8%	1,177.76	3,730.00 @ 13.8%	514.74	1,160.00 @ 13.8%	160.08	728.00 @ 13.8%	100.46	0.00 @ 13.8%	0.00
Employer allowance	Not Eligible		Not Eligible		Not Eligible		Not Eligible		Not Eligible	
PAYE and NIC Payable	3,054.47		874.98		211.92		100.46		0.00	
Corporation Tax										
Salary	17,374.50		12,570.00		10,000.00		9,568.00		6,240.00	
Employer's NIC	1,177.76		514.74		160.08		100.46		0.00	
Deductible for CT	18,552.26 @ 19%		13,084.74 @ 19%		10,160.08 @ 19%		9,668.46 @ 19%		6,240.00 @ 19%	
	3,524.93		2,486.10		1,930.42		1,837.01		1,185.60	
Net Tax (Saving) / Cost	(470.46)		(1,611.12)		(1,718.50)		(1,736.54)		(1,185.60)	



Dividend tax illustrations - for taking dividends up to the higher tax rate threshold of £50,000

Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Personal Allowance (PA)	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)
Salary over / (under) PA	4,804.50	0.00	(2,570.00)	(3,002.00)	(6,330.00)
Basic Rate Band for dividends	37,700.00	37,700.00	37,700.00	37,700.00	37,700.00
Dividend under basic rate	32,895.50	37,700.00	40,270.00	40,702.00	44,030.00
Dividend covered by PA	0.00	0.00	(2,570.00)	(3,002.00)	(6,330.00)
Dividend allowance	(2,000.00)	(2,000.00)	(2,000.00)	(2,000.00)	(2,000.00)
Dividend Tax	30,895.50 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%
	2,317.16	2,677.50	2,677.50	2,677.50	2,677.50
Overall tax and NI cost	1,846.70	1,066.38	959.00	940.96	1,491.90

*Note: The 'most tax efficient' model included above is an example based on the assumption that one does not have any other income, it is not a 'one size fit all' solution. Please consult with our accountants for tailored advice.

Salary / Dividend illustration for companies that have at least 1 employee other the director earning over NI threshold for tax year 2021/22 - Eligible for Employment Allowance

	Illustration 1 <i>On National Living Wages</i>		Illustration 2 <i>At Personal allowance</i>		Illustration 3 <i>At auto-enrolment threshold</i>		Illustration 4 <i>At PT/ST Threshold</i>		Illustration 5 <i>At Lower earning limit for NI</i>	
Salary	17,374.50		12,570.00		10,000.00		9,568.00		6,240.00	
Personal Allowance	(12,570.00)		(12,570.00)		(12,570.00)		(12,570.00)		(12,570.00)	
Taxable Amount	4,804.50		0.00		0.00		0.00		0.00	
Scottish starter tax rate	2,097.00 @ 19%	398.43	0.00 @ 19%	0.00	0.00 @ 19%	0.00	0.00 @ 19%	0.00	0.00 @ 19%	0.00
Scottish basic tax rate	2,707.50 @ 20%	541.50	0.00 @ 20%	0.00	0.00 @ 20%	0.00	0.00 @ 20%	0.00	0.00 @ 20%	0.00
	<u>4,804.50</u>	<u>939.93</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Salary	17,374.50		12,570.00		10,000.00		9,568.00		6,240.00	
Primary threshold	(9,568.00)		(9,568.00)		(9,568.00)		(9,568.00)		(9,568.00)	
Amount for Employee's NIC	7,806.50 @ 12%	936.78	3,002.00 @ 12%	360.24	432.00 @ 12%	51.84	0.00 @ 12%	0.00	0.00 @ 12%	0.00
Salary	17,374.50		12,570.00		10,000.00		9,568.00		6,240.00	
Secondary threshold	(8,840.00)		(8,840.00)		(8,840.00)		(8,840.00)		(8,840.00)	
Amount for Employer's NIC	8,534.50 @ 13.8%	1,177.76	3,730.00 @ 13.8%	514.74	1,160.00 @ 13.8%	160.08	728.00 @ 13.8%	100.46	0.00 @ 13.8%	0.00
Employer allowance		(1,177.76)		(514.74)		(160.08)		(100.46)		0.00
PAYE and NIC Payable		1,876.71		360.24		51.84		0.00		0.00
Corporation Tax										
Salary	17,374.50		12,570.00		10,000.00		9,568.00		6,240.00	
Employer's NIC	0.00		0.00		0.00		100.46		0.00	
Deductible for CT	17,374.50 @ 19%	3,301.16	12,570.00 @ 19%	2,388.30	10,000.00 @ 19%	1,900.00	9,668.46 @ 19%	1,837.01	6,240.00 @ 19%	1,185.60
Net Tax (Saving) / Cost		(1,424.45)		(2,028.06)		(1,848.16)		(1,837.01)		(1,185.60)

Dividend tax illustrations - for taking dividends up to the higher tax rate threshold of £50,000

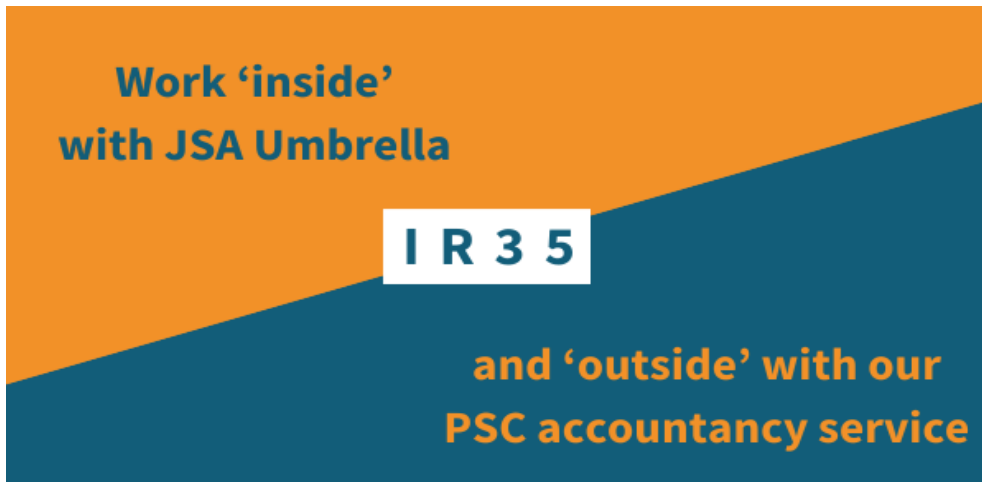
Salary	17,374.50	12,570.00	10,000.00	9,568.00	6,240.00
Personal Allowance (PA)	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)	(12,570.00)
Salary over / (under) PA	4,804.50	0.00	(2,570.00)	(3,002.00)	(6,330.00)
Basic Rate Band for dividends	37,700.00	37,700.00	37,700.00	37,700.00	37,700.00
Dividend under basic rate	32,895.50	37,700.00	40,270.00	40,702.00	44,030.00
Dividend covered by PA	0.00	0.00	(2,570.00)	(3,002.00)	(6,330.00)
Dividend allowance	(2,000.00)	(2,000.00)	(2,000.00)	(2,000.00)	(2,000.00)
Dividend Tax	30,895.50 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%	35,700.00 @ 7.5%
	<u>2,317.16</u>	<u>2,677.50</u>	<u>2,677.50</u>	<u>2,677.50</u>	<u>2,677.50</u>
Overall tax and NI cost	892.72	649.44	829.34	840.49	1,491.90

*Note: The 'most tax efficient' model included above is an example based on the assumption that one does not have any other income, it is not a 'one size fit all' solution. Please consult with our accountants for tailored advice.

IR35: Our Switch Service with **JSA** Umbrella

Contracting made simple

If you've received an 'inside' SDS or you're still unsure about how you want to work, don't worry! We have the perfect solution allowing you the unique flexibility to switch between Limited Company and Umbrella depending on the status of your contract.



Maximise your take-home pay by switching compliantly between PSC and Umbrella for one fixed fee.

- ✓ Keep your Limited Company open and get Umbrella with no margins deducted
- ✓ Compliantly maximise your take-home pay throughout the year
- ✓ The most tax-efficient way to work
- ✓ Keep all your earnings in one place
- ✓ Advice and support from IR35 industry experts
- ✓ FCSA and IPSE accredited
- ✓ Wide-ranging employee benefits & access to our exclusive rewards programme
- ✓ Fixed-fee plan with no surprise costs
- ✓ Bring your SIPP or private pension with you for no additional cost

IR35: FAQs and Resources

Click our links below for more details:

[How will IR35 Impact You?](#)

With changes to the IR35 reforms due to be implemented this April, it's important you know where you stand, so you can get prepared.

[IR35: Busting the Myths](#)

IR35 reforms can be very confusing – especially for contractors. Here we answer some of our frequently asked questions to help you understand your position in time for the reforms.

[HMRC Clarifies IR35 Regulations](#)

If your contract is now 'inside' IR35 but you did the work pre-April 2021, how is your pay affected?

[Resources and Guides](#)

If you've recently received an 'inside' SDS and are unsure about your next steps, JSA Director of Accounting Services, Chris James, has created a series of useful videos to help you determine where you stand.

- [How to switch between 'inside' and 'outside' contracts](#)
- [What are my working options if I'm classed as 'inside' IR35?](#)
- [What would I do with my PSC if I switched to Umbrella?](#)
- [If I am 'inside' IR35, can I still work through my Limited Company?](#)

[**Our parent company JSA offers umbrella services to thousands of contractors, should you be affected by the new off-payroll \(IR35\) changes. JSA's fully FCSA accredited Umbrella can look after you whilst things settle down. You can register your interest here but feel free to get in touch with K&B for more information.**](#)



Contact us

Location:

1st Floor, The South Quay Building
77 Marsh Wall, London. E14 9SH

Phone:

+44 (0)20 7078 0211

E-mail:

admin@kbaccountancygroup.com