01 / START HERE

PAYE & payroll made clear.

Pay yourself properly. Understand the costs. Know what happens each payday.

Your company employs you, too

A limited company's money belongs to the company. **Payroll** is the process for recording salaries and calculating deductions, whether you pay a team or just yourself.

PAYE means Pay As You Earn. It is HMRC's system for collecting Income Tax and National Insurance (NI) from employment income. Payroll software works out the amounts.

You can be both a **director**, who runs the company, and a **shareholder**, who owns it. A salary pays you for work. A dividend distributes profits to shareholders. They are not the same thing.

Three terms you will see on a payslip

Term	What it means
Gross pay	Your salary before deductions.
Deductions	Income Tax, employee NI and, where relevant, pension or student loan amounts.
Net pay	The amount to transfer to the employee.

ONE PAYDAY, THREE DESTINATIONS

1 The employee

Receives net pay in their bank account.

2 HMRC

Receives tax and NI due, including the company's own employer NI.

3 The pension provider

Receives employee and employer contributions where a pension applies.

Company cost = gross pay + employer NI + employer pension. Employee deductions are already inside gross pay, not another cost on top.

A payslip or HMRC submission does not itself move money. Unless separately arranged, **you still make the bank payments**.

BEFORE YOUR FIRST SALARY

Ask SBX to register the company as an employer and add you to payroll before the first payday. Incorporating the company does not do this automatically. Even a salary with no personal tax can need payroll reporting.

For UK limited-company owners using ordinary UK payroll. Tax year: 6 April 2026 to 5 April 2027. Overseas work, non-UK residence or contracts caught by special employment-tax rules need a separate check.

CHECK THE RULES PAYE explained · Register as an employer · Running payroll · Salary and dividends

02 / PAYING YOURSELF

Why we often start at £12,570

That is £1,047.50 a month over a full tax year. It is a starting point, not a rule for everyone.

Salary first, then consider dividends

With no other income using your **Personal Allowance** (your tax-free income allowance), a £12,570 salary normally has **no Income Tax or employee NI**. Properly reported earnings can also support a State Pension qualifying year.

Employer NI is an extra company cost, normally 15% above the £5,000 annual threshold. It is not taken from your agreed salary. Salary and employer NI normally reduce taxable company profit; dividends do not.

Above this salary, extra pay can bring Income Tax and employee NI, as well as employer NI. Dividends have no NI, so a mix is often useful. But dividends come from **profits left after Corporation Tax** (the company's tax on profits), and personal dividend tax can still apply.

Pay dividends only from available distributable profits, in line with share rights, with the approval and voucher recorded. **Bank cash alone does not prove a dividend is available.**

THE CORPORATION TAX BENEFIT

In the no-allowance example opposite, a fully deductible £13,705.50 cost saves **£2,604.05 at 19%**. The company's cost after relief is **£11,101.45**, while you receive £12,570.

Assumes enough profit taxed at 19%. Relief depends on the company's actual tax position; it is not an immediate cash refund.

No personal tax does not mean no cost

Full-year director example	Amount
Gross salary / personal take-home*	**£12,570.00**
Employer NI: (£12,570 − £5,000) × 15%	£1,135.50
Company cost before tax relief	**£13,705.50**
If Employment Allowance covers all that NI	**£12,570.00**

*Full-year director aged 21+, normal NI rules, full unused allowance, no pension or other deductions. Directors usually use annual NI limits; monthly charges can vary.

EMPLOYMENT ALLOWANCE: UP TO £10,500

It reduces eligible employer NI, not employee tax, employee NI or pension costs. It is **one company allowance, not per person**, and must be claimed each tax year.

A company with just one director who is its only employee liable for employer NI cannot claim. A second genuine employee or director paid above the relevant employer NI threshold can change eligibility; their NI category also matters. Connected companies can normally claim only one allowance between them.

WE TAILOR THE AMOUNT TO YOU

Other jobs or pensions, starting as a director mid-year, high personal income, available Employment Allowance and company profits can change the best salary. Unused Employment Allowance can make a higher salary worthwhile. Do not backdate payroll or assume a new director can take the full annual amount immediately.

CHECK THE RULES 2026/27 payroll rates · Director NI · New directors: part-year NI · Salary and dividends · Corporation Tax rates · Employment Allowance eligibility · Director-only restriction · Claiming the allowance

Real help for the business. Sensible tax planning.

A spouse, partner or adult child can be paid for genuine work, just like any other employee.

Why it can be worthwhile

You get useful help with enquiries, invoices, bookings or your website. A family member with little other income may pay little or no personal tax, while their commercial wage reduces company profits.

They **do not need to be a director or shareholder** to receive wages. Nor do you have to pay them £12,570: start with the work, hours and a fair rate, not the tax allowance.

Make it a proper job

Agree the role and a realistic rate.

Keep a short job description and records of hours or work completed.

Pay the person for their work.

Use payroll and pay their wages to them. Personal support or university fees are not automatically company wages.

Apply the normal employment rules.

Check right to work, paid holiday, written terms, pension duties and insurance. Family employees of a limited company are not exempt from minimum wage just because they are family.

From April 2026: minimum pay is **£12.71/hour at 21+**, **£10.85 at 18–20**. Younger workers and apprentices have separate rules.

EXAMPLE: A STUDENT HELPING WITH ADMIN

Your child, aged 20 throughout the year, has no other income. They have a genuine 10-hour weekly role at a reasonable £15/hour, paid every week including paid holiday.

Annual wages: £150 × 52	**£7,800**
Their Income Tax and employee NI	**£0**
Employer NI at this pay, while under 21	**£0**
Company tax saving at 19%	**£1,482**
Company cost after that tax saving	**£6,318**

The company pays £7,800 now; tax relief comes through its Corporation Tax calculation. Assumes full deductibility, sufficient profit taxed at 19%, and no pension contributions or other employment costs in these figures.

Being a student is not a tax exemption. Other earnings, uneven holiday pay, a 21st birthday or joining a pension can change the result. Check any means-tested benefits separately.

An older partner can also use their own unused allowance, but check employer NI and pension costs. Hiring family does not automatically unlock Employment Allowance.

Director minimum wage: a director acting only as an office holder is normally outside the rules. A director who is also a worker may be covered. Do not use the £12,570 strategy to underpay a genuine full-time worker.

CHECK THE RULES Paying relatives · Students and tax · 2026/27 payroll rates · Corporation Tax rates · Family and minimum wage · Directors and minimum wage · First employee checklist

04 / PENSIONS & YOUR NI RECORD

Two different pensions. Two different jobs.

A State Pension qualifying year is not money paid into a workplace pension pot.

1 State Pension: your NI record

Your future State Pension depends on qualifying years on your National Insurance record. Years can come from earnings, NI credits or, where suitable, voluntary contributions.

YOU CAN BUILD A YEAR WITHOUT PAYING EMPLOYEE NI

For 2026/27, earnings from **£129 to £242 a week** can be treated as having NI paid, even though no employee NI is deducted. Regular pay through the year and correct reporting matter.

For a full-year director, the annual lower earnings limit is **£6,708**. Salary at £12,570 is above it. A part-year directorship needs its own calculation; one payslip or irregular earnings do not automatically prove a complete year.

Dividends do not build NI years. Paying more NI does not create extra qualifying years within the same tax year.

You normally need at least **10 qualifying years** for any new State Pension. **35 years** gives the full amount only under the straightforward rules for people whose NI record began from April 2016. Earlier records can differ. Check your forecast and gaps before paying extra.

2 Workplace pension: an invested pot

Automatic enrolment means putting eligible employees into a workplace pension and contributing towards it. Usually this applies to UK workers **aged 22 to State Pension age, earning over £10,000 a year**. Eligibility is assessed each pay period.

Under the usual minimum basis, contributions are on earnings between **£6,240 and £50,270** a year, not necessarily the whole salary. The minimum total is 8%: at least 3% employer, with the remaining 5% usually from the employee including tax relief.

£3	£5	£8
Company pays	Employee + tax relief	Into the pension

For every £100 of pay on which contributions are calculated, using the usual minimum split. Some schemes use another pay basis or higher rates.

A sole director with no other staff normally has no automatic-enrolment duties. **Hiring your first employee, including family, means checking duties**, even below these age/pay limits: they may have rights to opt in.

YOU CAN STILL FUND YOUR OWN PENSION

The company can make employer contributions to a registered director’s pension even without automatic enrolment. They can be tax-efficient, but contribution limits, a genuine business purpose and access restrictions matter. See our Director Pension Guide and ask us before a large payment.

CHECK THE RULES NI and your record · State Pension qualifying years · Check your State Pension · Workplace pension eligibility · Workplace pension contributions · Directors and pension duties · Company pension tax relief

05 / PERSONAL TAX

Tax bands apply in slices, not to everything

Your salary, dividends and other income share one tax position. You do not get a fresh allowance for each job.

Income Tax on salary: 2026/27

England, Wales and Northern Ireland. These are annual income levels for a salary-only example, before pension adjustments.

Annual income slice	Income Tax
First £12,570*	0%
£12,571 to £50,270	20%
£50,271 to £125,140*	40%
Above £125,140	45%

*The allowance reduces above £100,000 as explained opposite. Scottish salary bands and rates differ; UK dividend rates are the same.

£30,000 salary example: (£30,000 − £12,570) × 20% = **£3,486 Income Tax**, not 20% of the whole £30,000. Employee NI and any pension deductions are separate.

For most employees, NI is 8% above the £12,570 annual-equivalent threshold up to £50,270, then 2%. Ordinary employees are assessed each pay period; directors usually use annual rules.

Dividends use different rates

After any unused Personal Allowance, the first **£500** is taxed at 0%. Above that, the dividend rates are **10.75% basic**, **35.75% higher** and **39.35% additional**. The £500 still uses tax-band space.

THE £100,000 ALLOWANCE TAPER

Adjusted net income is broadly your total personal taxable income, including dividends, rent and benefits, less certain reliefs such as qualifying gross pension payments. It is not company turnover or company profit.

For each **£2 above £100,000**, you lose **£1 of Personal Allowance**. It is gone at £125,140.

Adjusted net income	Allowance
£100,000	£12,570
£110,000	£7,570
£125,140	£0

In this range, an extra £1,000 of salary can cost £600 in Income Tax in England, Wales or Northern Ireland, before NI. That is a 60% rate on the extra slice, not your whole income. Dividend mixes and Scotland differ.

DIRECTOR EXAMPLE: SALARY + DIVIDENDS

£12,570 salary + £30,000 dividends. No other income, full allowance and all dividends in the basic-rate band.
Dividend tax: (£30,000 − £500) × 10.75% = **£3,171.25**. Personal cash after this tax: **£39,398.75**.

Assumes no pension or other deductions. Company tax and employer NI are separate. Set money aside: dividend tax is not normally deducted on payday.

Tell us about previous jobs, other income and HMRC tax-code changes. Review pay and pension plans before 5 April, especially near £100,000. Child Benefit can also need a separate check above £60,000 of adjusted net income.

CHECK THE RULES Income Tax bands · Scottish Income Tax · Dividend tax · Adjusted net income · More than one job · Employee NI rates

06 / YOUR PAYROLL ROUTINE

Set it up once. Keep us updated each month.

The tax year runs from 6 April to 5 April, even when your company's year end is different.

What to send us before the first payday

Company details

Employer PAYE reference and Accounts Office reference if already registered. Otherwise ask us to arrange registration and authorisation.

Each person's details

Full name, address, date of birth, NI number, start date, role, hours, agreed gross pay and payday. Tell us if they are a director or family member.

Their payroll history

P45 (pay and tax details from the previous job), or a completed starter checklist. Include other jobs, pension income and any student/postgraduate loan details.

Employment and pension setup

Confirm right-to-work checks, employment terms and holiday arrangements. Tell us about pension arrangements and any benefits you plan to provide.

WHAT THE TAX CODE DOES

A code such as **1257L** tells payroll how much tax-free pay to give. It is not the company's PAYE reference. An emergency or second-job code can change deductions, so send us HMRC's notices rather than changing it yourself.

The simple monthly rhythm

When	What happens
Before payday	Send hours, starters/leavers, pay changes, sickness and family leave by the agreed cutoff. Approve the payroll figures.
On or before payday	Payroll is reported to HMRC using the Full Payment Submission (FPS). Provide payslips and transfer the net wages.
After payday	Pay HMRC and the pension provider separately by their deadlines. Filing the payroll does not settle either bill.

HMRC PAYMENT: USUALLY THE 22ND

Example: September pay in the tax month ending **5 October** is normally payable electronically to HMRC by **22 October**. Approved quarterly payment arrangements differ. Use the payment instructions and reference we provide.

Nothing paid this month? Tell us; a nil-payment report may still be needed.
Year end: P60s go to staff still employed on 5 April by 31 May. Leavers receive a P45. Keep PAYE records for at least 3 years after the tax year; some employment and company records need longer.

CONTACT OUR OFFICE OR YOUR ACCOUNT MANAGER

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Tell us before hiring, changing pay, taking large dividends or providing private benefits. Sickness and family leave can create statutory-pay obligations, including for low-paid staff. We help with payroll where engaged; you remain responsible for funding and approving payments.

CHECK THE RULES Register as an employer · Running payroll · Pay employers' PAYE · P60 explained · PAYE records · First employee checklist · Sick pay from April 2026