LIMITED COMPANY DIRECTOR TAX GUIDE

2026/27 Edition | Reviewed 19 September 2026

How owner-managed companies extract money, reduce tax and plan ahead: a practical handbook from SBX Accountants.

THE SBX FIVE PILLARS

1. Keep clean records: separate spending, save receipts and log mileage.
2. Use the right claims and remuneration mix; review annually.
3. Plan tax early using an up-to-date profit estimate.
4. Protect cashflow: budget VAT, tax and payments on account.
5. Speak to SBX before major purchases or structural changes.

Tax year	Online Self Assessment	VAT threshold
6 Apr 2026–5 Apr 2027	31 January 2028*	£90,000; two tests

*Where a personal return is required. General UK guidance; personal tax examples use England, Wales and Northern Ireland rates unless stated. Scottish non-dividend rates differ. Read the relevant qualifications before acting.

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01 HOW YOUR COMPANY WORKS

The company is a separate legal person. Understanding how its money reaches you underpins every other planning decision.

HOW MONEY MOVES FROM COMPANY TO DIRECTOR

Revenue less allowable costs, salary and pensions = taxable profit.
Pay Corporation Tax; available distributable profit can support dividends.
Salary goes through PAYE. Dividends have separate personal tax rules.

Corporation Tax rates

Profit level*	Rate	Notes
Up to £50,000	19%	Small-profits rate, where eligible
£50,000–£250,000	Marginal Relief	Overall rate rises towards 25%; marginal relief can make the next £1 taxable at 26.5%
Over £250,000	25%	Main rate

**Standard 12-month thresholds for an eligible company with no associated companies. The test also considers augmented profits. Different rules can apply to investment companies and other special cases.*

ASSOCIATED COMPANIES

Thresholds are divided by the number of relevant associated companies and reduced for short accounting periods. Two relevant companies normally mean £25,000 / £125,000 each. Some inactive companies are excluded; common control requires a proper check.

Key company deadlines

Item	Normal deadline / requirement
Corporation Tax payment	9 months and 1 day after the CT period ends (large-company rules differ)
CT600 filing	12 months after the CT accounting period ends
Companies House accounts	Usually 9 months after year end; first accounts normally 21 months from incorporation
Confirmation statement	Within 14 days after the review period; £50 online per 12-month payment period
Monthly PAYE payment	22nd of the following month electronically (19th otherwise)
2026/27 personal Self Assessment	31 January 2028, where a return is required

SBX VIEW

Review salary, dividends and pension funding together. The best choice depends on profit, cash needs, other income and the amount you want to retain in the business.

Official sources: Corporation Tax rates · Marginal Relief · Company filing deadlines · Confirmation statements · 2026/27 payroll rates

02 SALARY & DIVIDEND STRATEGY

For many owner-managed companies, a salary of up to £12,570 plus dividends is a practical starting point. It is **not a universal optimum**: SBX reviews your other income, NI position and company circumstances.

SBX'S STARTING POINT

Salary up to the Personal Allowance (£12,570), where appropriate.
Further withdrawals as properly declared dividends from available profits.
Employer pension contributions where they suit your retirement and cash plans.
Review the mix each April and before major payments.

Salary can support a qualifying NI record, but employer NI starts at £5,000. A £12,570 annual salary normally creates **£1,135.50 employer NI** at 15%, unless relief covers it. A company whose only employee above that threshold is a director cannot normally claim Employment Allowance.

Planning priorities

Area	Why review it?
Salary, dividends and pension funding	Usually the largest recurring remuneration decisions
Family employment / share ownership	Must reflect genuine work, rights and commercial arrangements
Mileage, company cars and homeworking	Check eligibility and the full tax / cashflow cost
Relevant life cover and small benefits	Useful when the detailed exemption conditions are met

Dividend tax rates 2026/27

Band	Rate	How it works
Dividend allowance	0% on £500	Uses tax-band space; not an extra band
Basic-rate portion	10.75%	Depends on total taxable income
Higher-rate portion	35.75%	Depends on total taxable income
Additional-rate portion	39.35%	Depends on total taxable income

Salary, rent and other income can use the Personal Allowance and bands before dividends are considered. Scottish taxpayers also use UK dividend-tax rates, though other income may be taxed differently.

DO NOT CALL EVERY WITHDRAWAL A DIVIDEND

Check available distributable profits first and record board approval and a dividend voucher. An unlawful dividend may be repayable; it is not automatically a valid dividend or automatically fixed by labelling it a director's loan.

Official sources: 2026/27 payroll rates · Director-only payroll restriction · Dividend tax · Taking money from a company

Worked example: Sarah’s company

Sarah’s marketing company earns £80,000 before her salary, employer NI and pension. This example assumes a 12-month period, no associated companies, no other adjustments and **no Employment Allowance**.

Calculation	Amount
Profit before director remuneration	£80,000.00
Less salary	(£12,570.00)
Less employer NI: (£12,570 − £5,000) × 15%	(£1,135.50)
Less employer pension contribution	(£10,000.00)
Taxable company profit	£56,294.50
Corporation Tax after Marginal Relief	(£11,168.04)
Post-tax profit	£45,126.46
Dividend paid	(£40,000.00)
Current-year profit retained	£5,126.46

WHY THE COMPANY DOES NOT PAY JUST 19%

£56,294.50 is above the £50,000 small-profits threshold.
CT = 25% × £56,294.50 − 1.5% × (£250,000 − £56,294.50)
Corporation Tax = £11,168.04.

The £40,000 dividend is supported by this example’s profit, assuming no opening losses or other restrictions. Sarah also has personal dividend tax to pay: the company’s CT payment does not settle it.

NI and payroll thresholds 2026/27

Item	Amount / meaning
Personal Allowance / annual employee NI threshold	£12,570, subject to personal circumstances
Employer NI secondary threshold	£5,000; normally 15% employer NI above it
Lower Earnings Limit	£6,708 annually; qualifying earnings may protect your NI record
Employment Allowance	Up to £10,500 against eligible employer Class 1 NI; director-only exclusion applies

MOST IMPORTANT THING TO REMEMBER

A salary can have no employee tax/NI but still create employer NI. Budget that cost and use the correct Corporation Tax calculation.

Official sources: 2026/27 payroll rates · Marginal Relief · Corporation Tax rates · Director-only payroll restriction

03 COMPANY EXPENSES

An allowable expense reduces taxable profit; it does not refund the whole cost. At 19%, a £1,000 deduction saves £190. The actual tax saving depends on the company's marginal rate and available relief.

SHOULD THIS GO THROUGH THE COMPANY?

Genuine business purpose? If not, do not claim it as an ordinary business cost.
Personal benefit as well? Check the benefit-in-kind, payroll or director-loan treatment.
A cost can be deductible remuneration and still taxable personally. Ask before paying.

Key categories

Scenario / expense	Treatment	Condition
Director's salary	Usually deductible	Genuine remuneration; use PAYE
Employer pension contribution	Usually deductible	Paid to a registered scheme; trade-purpose test
Business insurance / software	Usually deductible	Business purpose; exclude private costs
Accountancy and legal fees	Usually deductible	Revenue business costs; capital costs differ
Business IT equipment	Capital allowances	AIA or other relief, if eligible
One company mobile phone per employee	Normally exempt	Company provides / contracts for it
Ordinary client entertainment	Disallowed for CT	Record separately as business entertainment
Personal costs	Needs classification	Loan, remuneration or benefit; not automatically deductible
Company's own fines / tax penalties	Normally disallowed	Do not confuse commercial parking charges with fines

Mileage: using your own car

Business mileage	2026/27 Income Tax approved rate
Cars / vans: first 10,000 miles	55p per mile
Cars / vans: above 10,000 miles	25p per mile

Keep a journey log and exclude ordinary commuting. Payments above the Income Tax approved amount may be taxable. **NIC has its own test: 55p applies to all qualifying car/van miles from 6 April 2026**, so Income Tax and NI excesses can differ.

COMMON MISTAKES

Claiming client hospitality for CT; paying private costs without classifying them; missing mileage evidence; and declaring dividends without checking distributable profits.

Official sources: Trade-expense deduction test · Company mobile phones · Employee mileage · 2026 mileage / NI change · Business entertainment · Employer contributions: relief and timing

04 BENEFITS IN KIND & P11D

A benefit in kind is value provided beyond cash salary. Many benefits create Income Tax for you and 15% Class 1A NI for the company; some have different payroll treatment.

Tax-free benefits: conditions matter

Benefit	Main condition
One company mobile phone	Company-provided contract; one per employee
Employer pension contribution	Registered scheme; check annual-allowance limits
Qualifying relevant life cover	Policy, benefit exemption and business-purpose conditions
Annual staff function up to £150/head	Annual, open to staff generally; include VAT and related travel/guests in the calculation
Trivial benefit costing £50 or less, including VAT	Not cash/cash voucher, contractual pay or a work reward; £300 annual close-company director cap
Homeworking up to £6/week	Regular agreed homeworking; qualifying extra household costs

The £150 function limit is an exemption, not an allowance: if an event fails the rules, its full cost may be taxable. Trivial benefits are not a £300 cash allowance.

Example: relevant life versus personal cover

COMPARE THE SAME £200 MONTHLY PREMIUM

Assume 40% Income Tax, 2% employee NI, 15% employer NI, no Employment Allowance and 19% CT relief.
Personal cover funded by extra salary: £344.83 gross salary + £51.72 employer NI = £396.55 before CT; about **£321.21 after CT**.
Qualifying employer-paid relevant life cover: £200 premium less £38 CT = **£162 after CT**.
Illustrative difference: **£159.21 a month**, subject to equivalent cover and all relief conditions.

Electric company cars

Item	Position
2026/27 zero-emission car benefit	4% of taxable list price (normally including options)
£40,000 car; director taxed at 40%	£1,600 taxable benefit → £640 personal tax/year; company Class 1A NI is extra
Future zero-emission benefit rates	5% in 2027/28; 7% in 2028/29; 9% in 2029/30
New, unused zero-emission car purchase	100% first-year allowance on qualifying expenditure by 31 March 2027 for CT

BENEFIT REPORTING IS CHANGING

HMRC's current phased timetable starts mandatory payrolling with cars, vans, their fuel and medical benefits in **April 2027**, then most remaining benefits in **April 2028**. Loans and accommodation are not currently in the mandatory phases. Tell SBX before providing benefits.

Official sources: Trivial benefits · Annual staff functions · Relevant life policies · Insurance deduction conditions · Company-car benefit rates · 2028-30 company-car rates · Electric-car first-year relief · Phased payrolling timetable

05 PENSIONS & WORKING FROM HOME

Employer pension contributions can be an efficient way to fund retirement. Compare like-for-like company costs and remember that pension money is not available for day-to-day spending.

Pension versus salary: the same £10,000 company budget

Route	Company cost	Value to the director
Employer pension	£10,000 before CT; £8,100 after 19% relief	£10,000 invested; withdrawal tax may arise later
Additional salary	£8,695.65 salary + £1,304.35 employer NI; same £10,000 before CT / £8,100 after	£5,043.48 spendable cash after 40% Income Tax and 2% employee NI

Assumes the whole salary falls in those marginal tax/NI bands, 15% employer NI, no Employment Allowance, full trade deductions and 19% CT relief. Pension access, later tax, fees and investment risk make the outcomes different.

Pension rule	Position
Standard annual allowance	£60,000 across all schemes; taper / flexible-access limits may reduce it
Carry forward	Unused allowance from the previous three tax years; membership and other conditions apply
Immediate personal tax / NI	Normally none on registered employer contributions; an annual-allowance tax charge can still arise
Company deduction	Trade-purpose test; normally in the period actually paid. Marginal CT saving may be 19%, 25% or 26.5%

Working from home

Under a regular agreed homeworking arrangement, the company can normally reimburse up to **£6/week (£312/year)** for qualifying additional household costs without evidence of the amount. Keep a record of the arrangement. Higher reimbursements need supporting calculations.

This employer-payment exemption remains separate from the employee deduction for **unreimbursed** homeworking costs, which was removed from 6 April 2026. It is not an automatic allowance just for being a director.

SBX TAX PROVISION RULE

Budget CT using **taxable profit**, not revenue; a 20–25% reserve is only a starting estimate. Keep personal dividend-tax savings separately: roughly 10–15% for basic-rate dividends or 35–40% for higher-rate dividends, adjusted to your full circumstances.

SBX VIEW

Review pensions alongside salary and dividends, but do not tie up cash needed for living costs or the business. See our Director Pension Guide before a significant payment.

Official sources: Employer contributions: relief and timing · Pension annual allowance · Carry-forward rules · Directors: commercial remuneration · Employer homeworking payments · Unreimbursed homeworking change · 2026/27 payroll rates

06 DIRECTORS’ LOAN ACCOUNTS

A director’s loan account records money owed between you and your company. Problems often start when withdrawals are made without checking what they represent.

FIRST CHECK WHICH WAY THE MONEY IS OWED

If the company already owes you money, a genuine repayment of that credit balance is normally not new taxable income.
If you owe the company money, the balance is **overdrawn**. A withdrawal that is not salary, a valid dividend, expenses or repayment of money owed needs review.

The tax consequences

Situation	What to check
Loan outstanding after year end	Section 455 can apply if not repaid within 9 months and 1 day after the accounting period ends
New loan / advance from 6 April 2026	Section 455 rate: 35.75%. Loans made 6 April 2022–5 April 2026 generally use 33.75%
Loans exceed £10,000 at any time	An interest-free / cheap-loan benefit may arise on the loan, not just the excess. Interest actually paid can reduce it
Official interest rate	3.75% at this review date; subject to review, so check the rate for the relevant period
Repayment after Section 455 paid	Relief is generally available, but not payable before 9 months and 1 day after the end of the repayment accounting period
Repay then borrow again	Anti-avoidance can match £5,000+ repayments/reborrowings within 30 days; arrangements involving £15,000+ balances can be caught beyond 30 days

EXAMPLE: A NEW £20,000 LOAN

If a loan made on or after 6 April 2026 remains chargeable:
£20,000 × 35.75% = £7,150 Section 455 tax.
This company charge is separate from any personal beneficial-loan tax and company NI.

Writing off a loan is not the same as repaying it and can create personal tax / NI consequences. Repayment relief is not always an immediate cash refund.

GOOD DLA HABITS

Use payroll for salary; approve dividends from available profits; explain every other transfer; reconcile the loan balance regularly; and speak to SBX before borrowing or trying to clear a large balance.

Official sources: Section 455 rates · Director-loan repayment rules · HMRC official loan rate · 30-day loan repayment rule · Pre-arranged reborrowing rule

07 COMPLIANCE, RECORDS & THE DIRECTOR'S ROUTINE

Personal costs paid by the company need the right treatment. They may be a repayment of money owed, a director's loan, remuneration or a taxable benefit; the personal and company tax positions are separate.

Personal costs: what happens?

Cost	Usual starting point
Client entertainment	Disallowed for CT; still record genuine business hospitality
Personal groceries, holidays or household bills	Director-loan or remuneration/benefit treatment; not ordinary business expenses
Personal life policy, not qualifying relevant life	Check payroll / benefit rules; no automatic exemption
Company's own statutory fines and penalties	Normally no CT deduction
Director's own tax bill	Normally a director-loan item unless correctly treated as remuneration

The typical director's routine

When	What good looks like
As you go	Save receipts and mileage records; identify personal spending
Monthly	Process payroll; reconcile banks; review loan balances; reserve CT and personal dividend tax
Quarterly	VAT return if registered; review profit, cashflow and upcoming tax
Annually	Accounts / CT600; Self Assessment where required; salary/dividend and pension review; confirmation statement
Benefits for 2026/27	P11D/P11D(b), where required, by 6 July 2027; Class 1A NI normally due 22 July electronically (19 July otherwise)

RECORDS & COMPANIES HOUSE

Keep company accounting records for **at least six years from the end of the relevant financial year**; longer for some assets, open enquiries and other cases.

Identity verification became a legal requirement from 18 November 2025, with phased deadlines for existing directors and PSCs. Check each person's due date. Their personal code is **not** the company's authentication code.

The company bank balance is not distributable profit. Make room for tax, unpaid bills and future obligations before taking money out.

Official sources: Company records · Confirmation statements · Identity verification · 2026/27 payroll rates · Taking money from a company

08 FAQ, GOLDEN RULES & NEXT STEPS

10 questions we are often asked

Question	Short answer
What salary should I pay myself?	£12,570 can be a useful starting point, but check employer NI, other income and Employment Allowance.
Can personal expenses go through the company?	They need loan / payroll / benefit treatment, not an automatic expense deduction.
When can I take a dividend?	When available distributable profits and the correct approvals support it.
Can I pay my spouse a salary?	Yes for genuine work at a commercially supportable amount; operate payroll.
Should I buy a car through the company?	Model personal benefit tax, company tax, VAT, finance and cashflow first.
How much should I put in a pension?	What suits your cash needs and retirement plan within the relevant relief limits.
What if my DLA is overdrawn?	Speak to SBX. New advances from 6 April 2026 can attract 35.75% Section 455; older loans differ.
Do I need VAT registration?	Check the rolling 12-month and next-30-days £90,000 tests; see below.
When do I file company accounts?	Usually 9 months after year end; first accounts differ. CT600 is normally due after 12 months.
Can I employ family members?	Yes, for genuine work with proper pay and records. Discuss it first.

VAT: DO NOT WAIT FOR YEAR END

At a month end, rolling taxable turnover above £90,000 normally means notifying HMRC within 30 days, with registration from the first day of the second month afterwards. If more than £90,000 is expected in the next 30 days alone, registration starts when that expectation arises; notify within 30 days.

SPEAK TO SBX BEFORE...

Buying a company car; taking a large dividend or loan; employing your first member of staff; adding a shareholder; moving a business into another company; or making a large pension contribution.

Official sources: VAT registration tests · Section 455 rates · Taking money from a company · Company filing deadlines · Pension annual allowance

THE SBX GOLDEN RULES

TEN HABITS TO KEEP

1. Keep business and personal spending clearly separated.
2. Save receipts as you go, not at year end.
3. Set tax money aside every month.
4. Track business mileage as journeys happen.
5. Check profits and document every dividend.
6. Do not assume something is claimable: ask first.
7. Review salary, dividends and pensions each April.
8. Cash in the company bank is not the same as profit.
9. Discuss major decisions before committing.
10. Keep SBX informed when plans or circumstances change.

Need advice specific to your situation?

A well-timed conversation about salary, dividends, pensions or structure can prevent expensive mistakes and help you plan with confidence.

- Salary and dividend planning
- Employer pension contributions
- Director-loan reviews
- Electric-vehicle analysis
- Family income planning
- Business-structure reviews

CONTACT SBX

Contact our office or your account manager.
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Scope and review: 2026/27 edition, checked on 19 September 2026. This guide concerns UK owner-managed companies. Personal salary examples assume England, Wales and Northern Ireland rates; Scottish non-dividend rates differ. Future changes are labelled by their start dates.

General information only, not individual tax advice. Pension products, investment choices, transfers and insurance suitability should be discussed with an appropriately authorised adviser. Significant transactions and claims need a client-specific review.

Official sources: Income Tax rates · Scottish Income Tax · Dividend tax · Employer contributions: relief and timing · Phased payrolling timetable