

How do I pay my spouse or children?

Using your family's allowances, the right way.

Everyone in your family has their own tax-free allowances. Used properly, paying them through your business cuts your household tax bill. Done badly, HMRC can undo it. Here's how to get it right.

Your spouse or partner

01 A salary for real work

If your spouse helps run the business, such as the books, calls or marketing, pay them a salary. Up to £12,570 is free of income tax for them and deductible for the company. The pay must match the work.

Why it matters: their allowance works for your household, not HMRC.

02 Give them shares

An outright gift of ordinary shares lets dividends be paid to your spouse at their tax rates, and gifts between spouses are free of capital gains tax.

Why it matters: profits can be taxed at their lower rate.

03 Avoid the shortcuts

Shares with only dividend rights, or repeatedly waiving dividends so more goes to your spouse, can fall foul of the settlements rules. The income is then taxed as yours.

Why it matters: a set-up that stands up if HMRC ever asks.

04 Other ways to share income

Marriage allowance lets a non-taxpayer transfer £1,260 of allowance to a basic rate spouse, worth up to £252 a year. Savings held by the lower earner help too.

Why it matters: small, easy wins that add up every year.

WORKED EXAMPLE

A spouse with no other income is paid a £12,570 salary and £37,700 of dividends from their own shares. Their tax on £50,270 is about **£3,999**. Paid to you as a higher rate taxpayer instead, the same dividends would cost about **£13,478**.

Your children

05 Employ them for genuine work

Children can usually work part time from 13, within limits set by law and your local council. National Minimum Wage applies once they're over school leaving age. Keep timesheets and pay through payroll.

Why it matters: they learn the business, and the family keeps more.

06 Their pay can be tax-free

Your child has their own £12,570 personal allowance. There's no employer National Insurance for under-21s on pay below £50,270, and the salary cuts your corporation tax.

Why it matters: money you'd give them anyway, paid from pre-tax profit.

07 It may unlock the Employment Allowance

Sole-director companies can't normally claim the £10,500 allowance. A second genuine employee paid over £5,000 a year can change that. We'll check you qualify.

Why it matters: it could cover the employer National Insurance on your own salary.

08 Dividends wait until they're 18

If you give shares to a child under 18, income over £100 a year from them is taxed as yours. From 18, dividends on their own shares use their allowances.

Why it matters: a tax-efficient way to help with university costs.

THE GOLDEN RULES

The work is real	and you can show what they do
The pay is reasonable	for the job and the hours
The records are kept	timesheets, payslips, board minutes
The money is theirs	paid into their own bank account

The short version

- Pay family members for real work, at a fair rate.
- Use outright gifts of ordinary shares, not shortcuts.
- Keep records that would satisfy HMRC if they ask.



ABOUT UNIFI ADVISORY

Big-firm expertise, with a Chartered Accountant who knows your business.

Unifi Advisory is run by George Nicholson BFP ACA. Before setting up on his own, George worked at one of the UK's largest accountancy firms. Now he works directly with start-ups and growing companies on accounts, tax and planning, with London-level service without the price tag.

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Is your family set-up working for you?

Book a free review of your current set-up. We'll show you what could be improved, in plain English, and you decide whether to take it further.

01 Shareholdings and dividends

02 Family salaries and payroll

03 Allowances you're not using

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