How do I pay myself?

Salary, dividends and pension for company directors.

As a director you choose how you're paid. Get the mix right and you keep thousands more each year, with no extra work. Dividend tax rose in April 2026, so older plans are worth rechecking.

Salary

Paid through payroll and deductible for the company. Up to £12,570 there's no income tax or employee National Insurance, and it earns you a State Pension year.

Dividends

Paid from profits after corporation tax. The first £500 is tax-free, then 10.75% in the basic rate band, 35.75% in the higher rate band and 39.35% above £125,140.

Pension

Company contributions are usually deductible, with no income tax or National Insurance. Often the best home for money you don't need yet.

01 Pay yourself a £12,570 salary

That's £1,047.50 a month. Employer National Insurance applies above £5,000 unless you can claim the Employment Allowance, but this level still wins because it cuts corporation tax.

Why it matters: no income tax for you, and a full State Pension year.

02 Top up with dividends

Take dividends to the edge of the basic rate band: £37,700 on top of your salary, £50,270 in total.

Why it matters: about £46,271 in your pocket, an 8% personal tax rate.

WORKED EXAMPLE: £50,270 OF INCOME

INCOME	AMOUNT	YOUR TAX
Salary	£12,570	£0
Dividends within the £500 allowance	£500	£0
Dividends taxed at 10.75%	£37,200	£3,999
Total	**£50,270**	**£3,999**

Take-home pay of **£46,271**. The company still pays corporation tax of 19% to 25% on the profits behind the dividends, an effective 26.5% between £50,000 and £250,000.

UniFi Advisory 07561 514475 George@unifiadvisory.co.uk unifiadvisory.co.uk

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If you need more than £50,270

03 Think about pension first

Above £50,270 each extra pound of dividend is taxed at 35.75%. Money you don't need now is usually better paid into a pension by the company: no personal tax, and deductible.

Why it matters: more of your profit working for you.

04 Avoid the 60% trap

Above £100,000 you lose £1 of personal allowance for every £2, up to £125,140. Pension contributions can bring you back under.

Why it matters: you keep far more of every pound in that band.

05 Share income with your family

A spouse who owns shares or works in the business can use their own allowances and basic rate band. See our guide to paying your family.

Why it matters: the same profit, less tax for your household.

06 Use the tax-free extras

Trivial benefits, working from home, mileage and interest on loans to the company all move value out tax-efficiently. See our guide to tax savings.

Why it matters: easy wins on top of your salary and dividends.

GET THE PAPERWORK RIGHT

Only pay dividends from profits	check reserves against up-to-date accounts
Minute every dividend	board minute and dividend voucher each time
Don't overdraw your loan account	35.75% if unpaid 9 months after the year end, on loans made from 6 April 2026 (33.75% before)

The short version

- A £12,570 salary, then dividends up to £50,270, is the usual starting point.
- Above that, look at pension before taking more dividends.
- Keep every dividend backed by profits and properly minuted.

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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.

Your life gets easier

One point of contact who answers quickly, handles every deadline and explains things in plain English. No chasing, no surprises.

You look good

Accurate, up-to-date numbers for your bank, investors and clients, and a tax position you can explain with confidence to your partners.

10+
Years' experience

200+
Businesses helped

5.0
Rating on Google

"Professional, knowledgeable and always quick to respond to any questions... they make everything straightforward and take the stress out of accounts."
Aaron Howard · Google review

FREE, NO-OBLIGATION REVIEW

Is the way you pay yourself still right?

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 Salary and dividend mix

02 Pension and the 60% trap

03 Loan account and paperwork

CALL GEORGE
07561 514475

George@unifiadvisory.co.uk
unifiadvisory.co.uk

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