

IN-Formed: Remuneration Planning



Why is Remuneration Planning so important?

As a director and shareholder in your own limited company there are a variety of ways in which you could choose to structure the way you extract income from your business, some more tax efficient than others.

What do I need to consider?

Every situation and every business is different. There are a number of areas which must be considered when deciding on the best way to extract income from your business, including:

- Profitability
- Level of income required
- Tax rates in force
- Cash flow
- Personal circumstances

For this reason we offer a bespoke remuneration planning service, where we can understand your individual situation and advise you on the best possible structure to ensure you maximise your take home pay while keeping the costs to the company as low as possible.

About our Client

Our client is a long established owner managed business, turning over in the region of £2,000,000 per annum with a net profit margin of approximately 10%.

There are four director shareholders, three of whom work full time in the business. The fourth, the widow of the founding shareholder has a minority shareholding, and is retired, having no operational role within the business.

All parties had been drawing salaries from the business for many years, costing the company a total of £141,321 for a joint net income of £120,682.

See the box below to find out how we helped them:

£13,259 more take home pay for a cost of just £36!



In this instance the right thing to do for the clients was to reorganise their shares into the appropriate classes and submit all the relevant forms to HMRC.

This allowed us to restructure their income extraction, reducing salaries and increasing dividends.

Meaning for a slightly increased cost to the company (£36.46) they could increase their net take home pay by £13,259.25 in total:

	EXISTING SITUATION		POST RESTRUCTURE	
	NET INCOME	COMPANY COST	NET INCOME	COMPANY COST
Director A	35,412.30	42,097.94	39,608.05	42,103.58
Director B	35,412.30	42,097.94	39,608.05	42,103.58
Director C	33,228.30	37,728.02	37,424.05	37,733.66
Director D	16,628.80	19,397.20	17,300.80	19,416.74
	120,681.70	141,321.10	133,940.95	141,357.56



If we can be of further assistance please contact us via:



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