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Company Director Salary and Dividends 2025/26



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This guide outlines the optimised salary and dividend remuneration for Directors/Shareholders for the 2025/26 tax year.

Why should I pay myself through a payroll?

We recommend having a company payroll scheme as:

- A salary is a tax-allowable cost for the business and could provide a corporation tax saving.
- If the annual salary is above £6,500, you will earn a qualifying year for state pension and other benefits.
- If you have no other sources of income, a salary of £12,570 would use up your tax-free personal allowance, so you would not suffer income tax and national insurance.

Why are you receiving this guide?

For company directors, the choice between salary and dividends remains a key tax planning decision. While dividends are more tax-efficient for personal income tax and national insurance, salary remains deductible for corporation tax purposes. Given the upcoming changes, business owners might need to review their remuneration strategy.

The tables below show how the split between salary and dividend can affect your take-home pay.

	Salary £50,270		Salary/Dividend £50,270	
	Income	Tax	Income	Tax
Salary	50,270		12,570	
Income Tax		7,540		0
National Insurance		3,016		0
Dividends				
At @ 0%			500	0
At @ 8.75%			37,200	3,255
At @ 33.75%				
Total	50,270	10,556	50,270	3,255
Tax	10,556		3,255	
Total Take Home	£39,714		£47,015	

	Salary £100,000		Salary/Dividend £100,000	
	Income	Tax	Income	Tax
Salary	100,000		12,570	
Income Tax		27,432		0
National Insurance		4,011		0
Dividends				
At @ 0%			500	0
At @ 8.75%			37,200	3,255
At @ 33.75%			49,730	16,784
Total	100,000	31,443	100,000	20,039
Tax	31,443		20,039	
Total Take Home	£68,557		£79,961	

In the Autumn Budget 2024 the government announced changes to national insurance rates and thresholds, which will significantly impact payroll costs for businesses. Employers with lower-wage employees may feel the effects of the reduced threshold, while the increased rate will add to overall employment costs. However, the increase in the Employment Allowance could provide some relief for small businesses.

What should I do?

For 2025/26, we are recommending that a Director/Shareholder's salary remain at £12,570 as it was in 2024/25 with the remaining remuneration to be paid as a Dividend, providing there are sufficient Company reserves to do so.

Who should seek additional advice?

There are some circumstances where our recommended salary/dividend split may not be the most tax-efficient remuneration strategy for you. If any of the following apply, we would recommend getting in touch:

- You are a director but have income from another source outside of your limited company (i.e. rental income).
- How much tax you pay or save across the combination of your company and you personally is more important than what you personally take home in cash, and you can afford to sacrifice personal take-home pay for the benefit of the company tax position.
- You are planning on drawing between £100,000 and £125,000 of income from your company.
- You have income of over £50,000 from other sources.
- If you are expecting your Company profits to be in the marginal rate band of £50,001 to £250,000.

If you have any queries, please do not hesitate to contact us on 01904 655202.

Appendix 2025/26 Tax Rates

Income Tax

Income	Tax Rate
£0-12,570	0%
£12,571-50,270	20%
£50,271-125,140	40%
£125,140+	45%

Dividend Tax

Dividends	Tax Rate
£0-500	0%
£501-50,270	8.75%
£50,271-125,140	33.75%
£125,140+	39.35%

Corporation Tax

Company Profits	Tax Rate
<£50,000	19%
£50,001-250,000	Marginal relief *
£250,000+	25%

*Companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective Corporation Tax rate. This means it will be a rate between 19-25%.