

## EXAMPLES OF TAX LIABILITY FOR CONTRACTOR/PSC

	Note	PSC - all income caught by IR35 £	PSC - outside IR35 - without spouse allowances £	PSC - outside IR35 - with spouse allowances £
<b>Example gross income (excluding vat)</b>				
<b>£25,000</b>				
Basic income level (excluding vat)		25,000	25,000	25,000
Employers NI		-	-	-
Salary level		-	-	-
5% expense allowance	2	(1,250)	-	-
Subject to IR35		23,750	-	-
Employers NI		(2,022)	-	-
Deemed salary		21,728	-	-
Salary level - self		-	(10,000)	(10,000)
Salary level - spouse		-	-	(7,068)
Employers NI		-	(404)	(404)
Subject to Corporation Tax		1,250	14,596	7,528
Corporation Tax		250	2,919	1,506
Dividend level	4	1,000	11,677	6,022
Employees NI		1,759	351	351
Employers NI		2,022	404	404
Personal tax - salary		2,851	505	505
Personal tax - higher rate on dividend	4	-	-	-
Allowance restriction		inc above	-	-
Total Taxation		6,882	4,180	2,766
Total Take home		18,118	20,820	22,234
Take home %		72.5%	83.3%	88.9%

(2) The 5% expense allowance is shown as a adjustment in shifting income between salary and dividend in the IR35 scenario, but is not actually tax relieved - this is to allow parity with the other PSC examples where no expenses are shown.

(3) All tax rates 2011/12

(4) It is assumed all income is drawn - where Higher Rate liabilities are incurred, further savings can be made / taxes deferred by leaving income in the company undrawn.

## EXAMPLES OF TAX LIABILITY FOR CONTRACTOR/PSC – *continued*

	Note	PSC - all income caught by IR35 £	PSC - outside IR35 - without spouse allowances £	PSC - outside IR35 - with spouse allowances £
<b>Example gross income (excluding vat) £60,000</b>				
Basic income level (excluding vat)		60,000	60,000	60,000
Employers NI		-	-	-
Salary level		-	-	-
5% expense allowance	2	(3,000)	-	-
Subject to IR35		57,000	-	-
Employers NI		(6,055)	-	-
Deemed salary		50,945	-	-
Salary level - self		-	(10,000)	(10,000)
Salary level - spouse		-	-	(7,068)
Employers NI		-	(404)	(404)
Subject to Corporation Tax		3,000	49,596	42,528
Corporation Tax		600	9,919	8,506
Dividend level	4	2,400	39,677	34,022
Employees NI		4,419	351	351
Employers NI		6,055	404	404
Personal tax - salary		10,388	505	505
Personal tax - higher rate on dividend	4	600	2,612	-
Allowance restriction		inc above	-	-
Total Taxation		22,061	13,792	9,766
Total Take home		37,939	46,208	50,234
Take home %		63.2%	77.0%	83.7%

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(3) All tax rates 2011/12

(4) It is assumed all income is drawn - where Higher Rate liabilities are incurred, further savings can be made / taxes deferred by leaving income in the company undrawn.

## EXAMPLES OF TAX LIABILITY FOR CONTRACTOR/PSC – *continued*

	Note	PSC - all income caught by IR35 £	PSC - outside IR35 - without spouse allowances £	PSC - outside IR35 - with spouse allowances £
<b>Example gross income (excluding vat)</b> <b>£140,000</b>				
Basic income level (excluding vat)		140,000	140,000	140,000
Employers NI		-	-	-
Salary level		-	-	-
5% expense allowance	2	(7,000)	-	-
Subject to IR35		133,000	-	-
Employers NI		(15,271)	-	-
Deemed salary		117,729	-	-
Salary level - self		-	(10,000)	(10,000)
Salary level - spouse		-	-	(7,068)
Employers NI		-	(404)	(404)
Subject to Corporation Tax		7,000	129,596	122,528
Corporation Tax		1,400	25,919	24,506
Dividend level	4	5,600	103,677	98,022
Employees NI		5,754	351	351
Employers NI		15,271	404	404
Personal tax - salary		40,092	505	505
Personal tax - higher rate on dividend	4	1,400	18,612	9,232
Allowance restriction		inc above	1,682	-
Total Taxation		63,917	47,474	34,998
Total Take home		76,083	92,526	105,002
Take home %		54.3%	66.1%	75.0%

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(3) All tax rates 2011/12

(4) It is assumed all income is drawn - where Higher Rate liabilities are incurred, further savings can be made / taxes deferred by leaving income in the company undrawn.

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