Salary, Dividends and Pensions

A practical introduction to taking income from a limited company while keeping tax, cash flow and long-term planning in view.

SPECIALIST GUIDANCE **REPORTING CLINICIANS**

This guide provides general information only. Tax treatment depends on the specific facts, contract terms and working arrangements.

The three main routes

Topic	What to consider
Salary	Usually processed through payroll. It may use personal allowances, create National Insurance consequences and affect company profits.
Dividends	Paid from distributable post-tax profits. They require board approval, dividend paperwork and sufficient retained profits.
Employer pension contributions	Potentially deductible for the company where wholly and exclusively for the trade, subject to pension and tax rules.

Why planning matters

The most tax-efficient combination is not always the most suitable. Personal cash needs, other employment, NHS pension growth, mortgage applications and future company profits should all be considered.

Common mistakes

Topic	What to consider
Taking drawings without checking profits	Money withdrawn is not automatically a dividend. It may create an overdrawn director's loan account.
Leaving planning until after year end	Salary, pension and dividend decisions often need to be made before the accounting period ends.
Ignoring other income	PAYE income, rental profits, investments and a spouse's position can change the best approach.

Records to keep

Payroll records, dividend vouchers, board minutes, pension contribution evidence and up-to-date management figures.

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