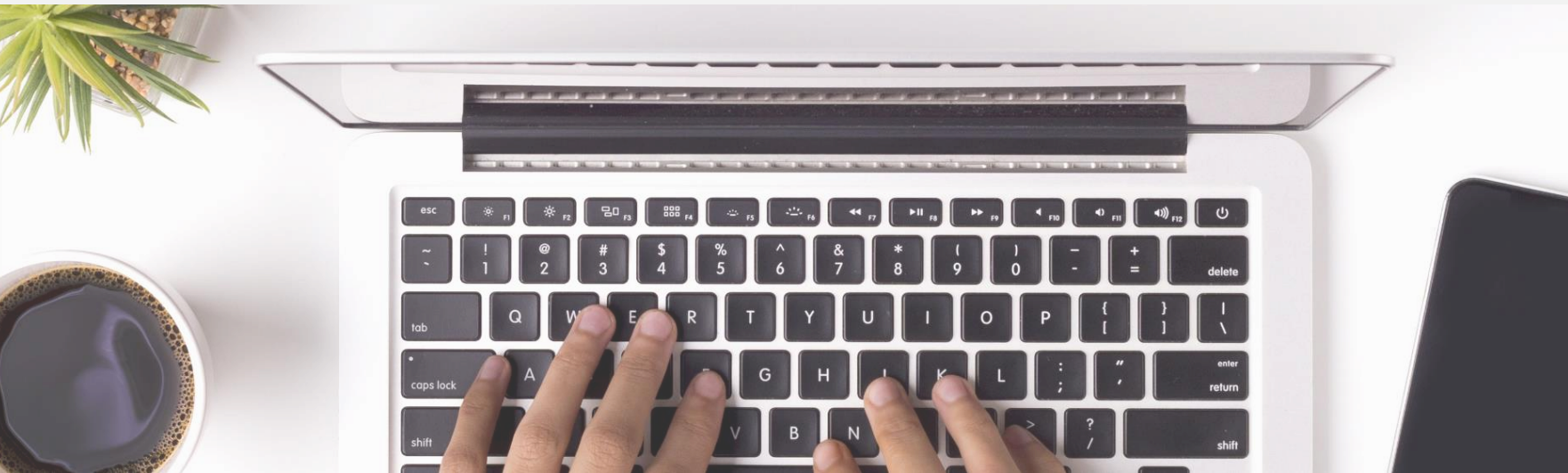


Tax Planning: Dividend v Bonus



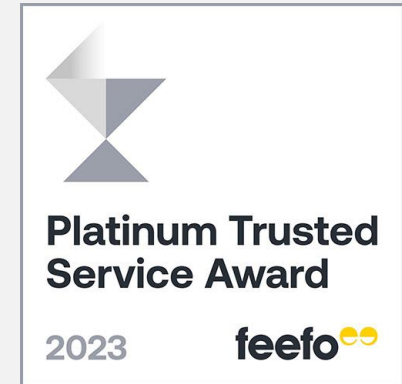
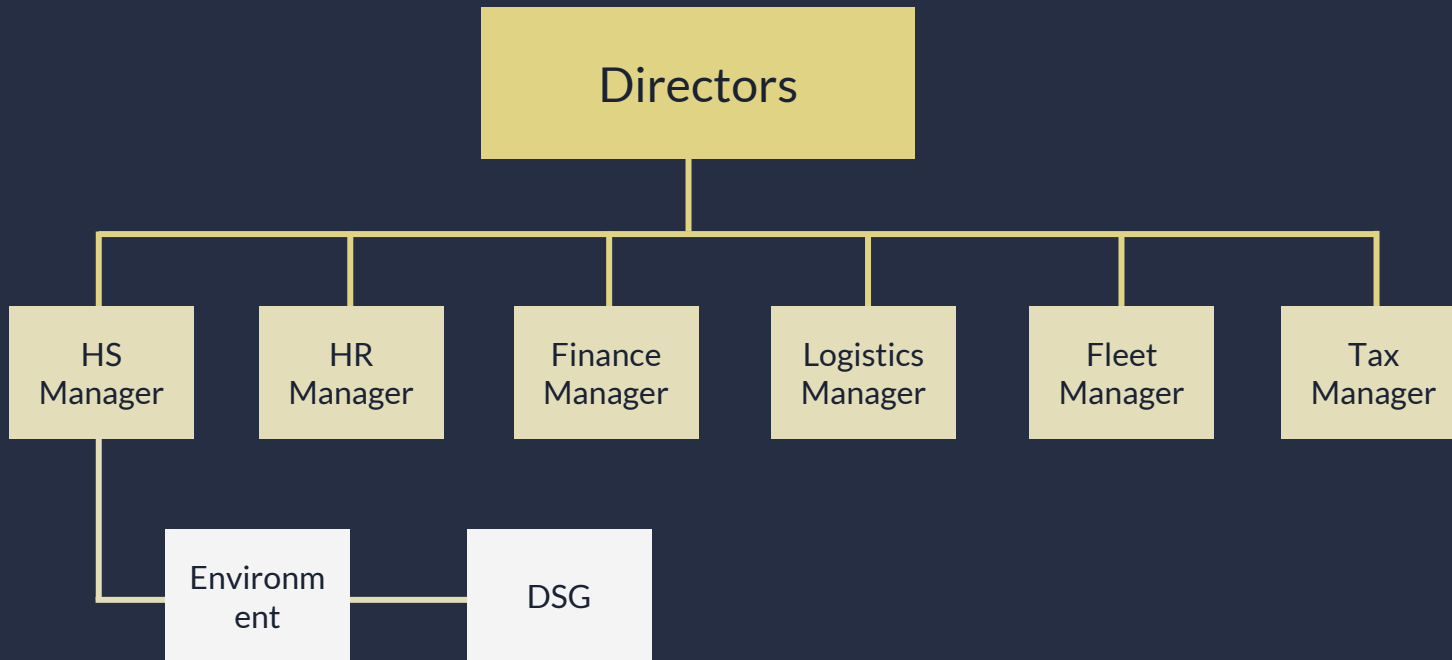
with:
Stephen Relf
Content Manager - Tax



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Who our services help



Earning a Platinum Service Award, a business must have won at least a Gold award for three consecutive years.

Being awarded again and again gives us a great sense of satisfaction. And it is with great pride that we accept the highest accolade from Feefo.

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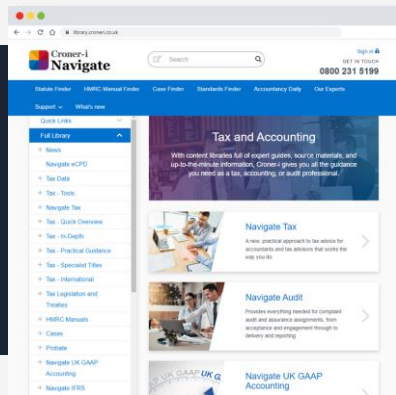
My VIP Tax Team



My Business Hub



Navigate



CPD & Events



Today we will cover...

- The key differences between the dividend and bonus
- Whether the dividend is more tax-efficient than the bonus in light of recent changes
- How Croner-i can help you to advise your clients on profit extraction



Dividend

- Distribution of assets – usually cash – to shareholders
- Different types of dividends
 - Interim – declared by directors; date funds paid/made available
 - Final – approved by shareholders; date approved
- Must meet CA 2006 requirements
 - Sufficient distributable reserves
 - Process followed
 - Illegal dividend – funds repayable
- Must be paid in proportion to shareholdings
 - Different classes of shares
 - Dividend waivers

Dividend (continued)

- Paid out of the company's after-tax profits
 - No CT deduction
- Dividend tax rates apply
 - Apply throughout UK
 - Tax-free dividend allowance: £1,000
 - 8.75% ; 33.75%; 39.35%
- Tax paid through Self-Assessment
 - 31 Jan 2025 (POAs 31 Jan 2024 & 31 July 2024)
- Not earnings
 - No NICs
 - Does not count for pension contributions

Bonus

- One-off amount in recognition of performance

- For individual
 - Income tax (E, W & NI)
 - Basic rate: 20%
 - Higher rate: 40%
 - Additional rate: 45%

 - NICs
 - 12% up to £50,270
 - 2% above £50,270

Bonus (continued)

- For company
 - NICs
 - 13.8% above £9,100
 - CT relief
 - Up to 26.5%
 - Wholly and exclusively
 - Accruals basis unless paid more than 9m after year end
- Tax & NICs paid through PAYE

Comparison

- Simplicity?
 - Bonus
- Flexibility?
 - Bonus
- Cash flow?
 - Dividend
- Tax efficiency
 - 2022-23 and earlier- Dividend
 - 2023-24 onwards - depends on the circumstances

Example

	£	After bonus £	After dividend £
Profits		500,000	500,000
Bonus	35,149		
Employers NICs (13.8%)	4,851		
Less, bonus plus NICs		(40,000)	n/a
Taxable profits		460,000	500,000
Less, corporation tax		(115,000)	(125,000)
Profit after tax		345,000	375,000
Less, dividend		n/a	(30,000)
Retained profit		345,000	345,000

Example (continued)

	Bonus £	Dividend £
Bonus	35,149	n/a
Dividend income	n/a	30,000
Gross receipt	35,149	30,000
Less, income tax payable at 40%	(14,060)	n/a
Less, income tax at 0% (£1k of dividends)	n/a	£nil
Less, income tax at 33.75%	n/a	(9,787)
Less, employee's NICs (2%)	(703)	n/a
After-tax receipt	20,386	20,213

Additional after-tax receipt under bonus route: £173

Summary

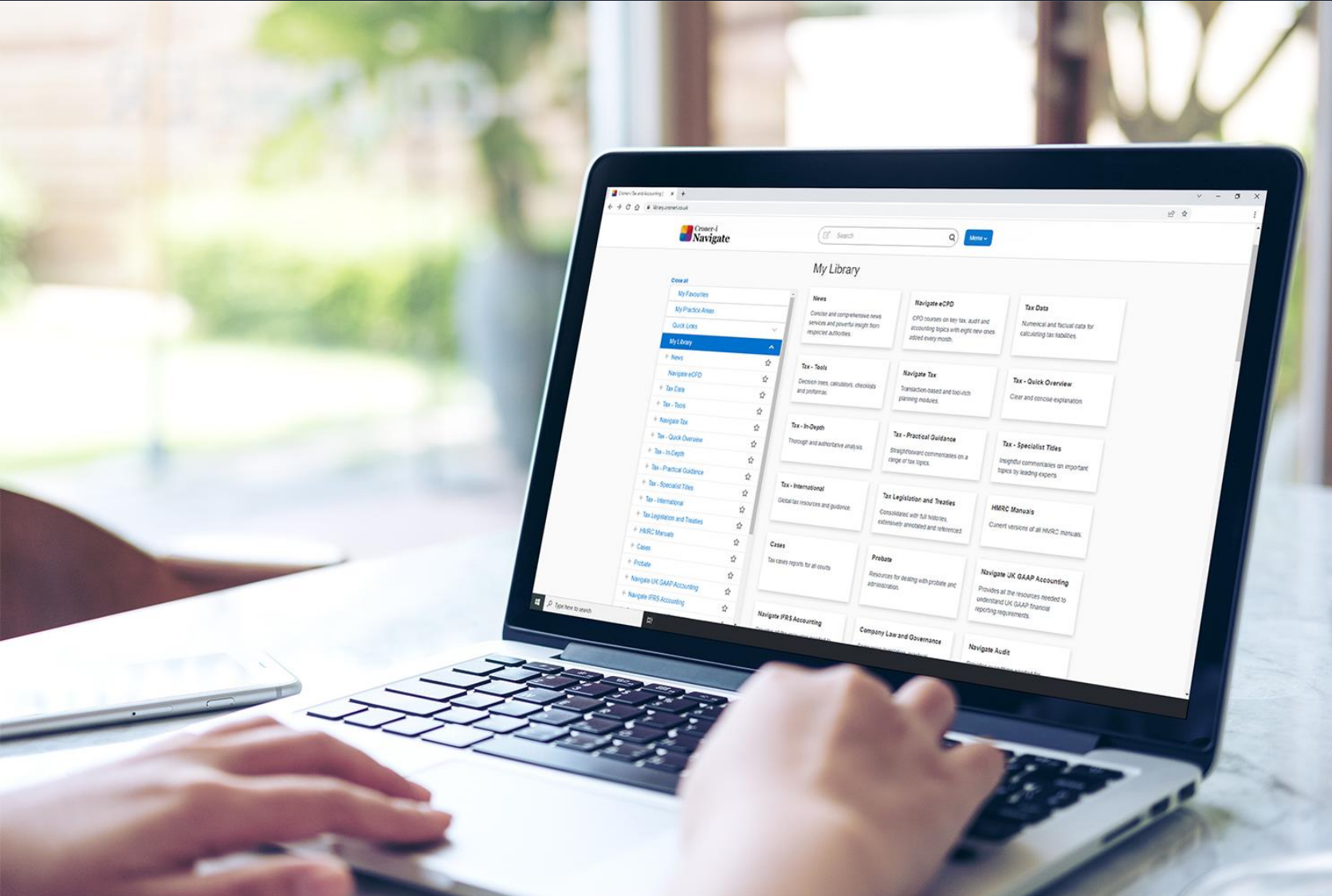
- Differences between bonus & dividend
 - Eg company law requirements for dividends
- Tax gap closing/closed for 2023-24
 - Main rate of CT: 25%
- Detailed calculations required
 - Croner-i guidance and calculator
- More help needed?
 - Croner-i's VIP tax team



&



Platform demo



Next steps



- A member of our team will give you a call to receive your feedback
- A recording of this webinar will be sent to you within a week
- To find out more on what Croner-i Navigate can offer you, follow this link

[FIND OUT MORE HERE](#)



Thank you

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