

Table 2 – 2010/11

		Sole Trader			Company	Company	Company
					Small	Marginal	Large
		£			£	£	£
Profits		300,000			300,000	300,000	300,000
				Salary	(20,000)	(20,000)	(20,000)
Income Tax		150,000		E'ers NIC	(2,560)	(2,560)	(2,560)
					277,440	277,440	277,440
NIC Class 4		3,000		Corporation tax	(58,262)	(82,538)	(77,683)
				Dividend	(80,000)	(80,000)	(80,000)
					139,178	114,902	119,757
				Income tax and NIC			
				On salary	10,200	10,200	10,200
				On dividend	28,880	28,880	28,880
					39,080	39,080	39,080
Total tax liability		153,000		Total tax liability	99,902	124,178	119,323
				Difference	53,098	28,822	33,677

Assumptions:-

- Tax year 2010/11
- Profits £300,000
- Drawings required £100,000 – in company there is a salary £20,000, dividend £80,000
- Individual has income in excess of £150,000
- The individual has used their personal allowance and nil rate band
- The individual pays maximum National Insurance contributions