

SOLETRADER VS LTD COMPANY COMPARISON 2019/20

There are a number of factors to consider when deciding to trade as a limited company. One of the primary considerations is the potential tax savings available.

PROFIT	SOLETRADER	LTD COMPANY	SAVING
£10,000	£279	£260	£19
£20,000	£2,679	£2,410	£269
£30,000	£5,579	£4,918	£661
£40,000	£8,479	£7,425	£1,054
£50,000	£11,379	£9,933	£1,446
£75,000	£21,879	£18,710	£3,169
£100,000	£32,379	£30,041	£2,338

In our calculations, we have made the following assumptions:

- A salary is taken up to the primary threshold.
- The maximum tax free allowance of £12,500 is taken
- All post corporation tax profits are taken as dividends
- Figures have been rounded up to the nearest £10 and include Class 2 and 4 NIC

The potential tax savings as a limited company appear to be greatest where profits are approximately £75,000 per annum.

Trading as a limited company can also help you manage your tax liabilities more effectively than as a sole trader. For example:

- Maintaining your earnings at a level sufficient to avoid the child benefit tax charge
- Keeping your dividends and remuneration below £100K thus avoiding the loss of the personal allowance
- The ability to claim capital gains entrepreneur's relief (at 10%) on retained profits when your company ceases to trade

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PROFIT	SOLETRADER	LTD COMPANY	SAVING
£10,000	£204	£230	-£26
£20,000	£2,604	£2,661	-£57
£30,000	£5,504	£5,168	£336
£40,000	£8,404	£7,676	£728
£50,000	£11,304	£10,184	£1,120
£75,000	£21,804	£19,279	£2,525
£100,000	£32,304	£30,610	£1,694

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