# The 2026/27

# Director's Tax & Growth Blueprint

# YOU VS THE COMPANY: THE FOUNDATION OF SMART TAX PLANNING

J2 ACCOUNTING

One of the most important things to understand as a company director is that you and your company are not the same thing. Your limited company is its own legal entity. It earns income, pays tax, and owns its money. You only pay personal tax once money is legally taken out of the company.

This separation is what gives you protection, but it's also where many costly mistakes happen. Directors often assume company funds are "their money" and withdraw cash without considering tax consequences. In the 2026/27 tax year, this can result in paying more tax than necessary or triggering avoidable penalties.

With Corporation Tax rates now tiered and personal tax thresholds frozen, planning how and when you extract profits has never mattered more. Good planning helps you stay in control. Poor planning often leads to surprises.

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# The 3 Decisions Every Director Should Review

Tax efficiency is rarely about what you do after year-end. It's about what you decide before it. Before your accounting year-end, every director should review these three areas:

## 1. How Are You Extracting Profit This Year?

**Are you:**

- Taking a fixed monthly dividend?
- Leaving profits untouched?
- Repeating last year's strategy without reviewing thresholds?

**Corporation Tax bands, dividend allowances and National Insurance thresholds change. What worked last year may not be optimal now.**

**Planning question:** **Is your salary/ dividend mix still the most tax-efficient for your income level and company profits?**

## 2. Should You Make a Pension Contribution Before Year-End? Company pension contributions:

- Reduce Corporation Tax
- Avoid National Insurance
- Avoid Dividend Tax
- Grow tax-efficiently

**In 2026, up to £60,000 can potentially be contributed (subject to allowances and earnings position). For profitable companies, pension planning before year-end can significantly reduce overall tax exposure.**

**Planning question:** **Are you using pension strategically, or leaving allowances unused?**

## 3. Is Your Director's Loan Position Clean Before Year-End?

**If you've borrowed from your company during the year, your Director's Loan Account (DLA) needs reviewing before the 9-month deadline following year-end. Unmanaged balances can trigger unexpected tax charges and compliance issues. Director's loans are flexible, but they are not informal.**

**Planning question:** **Will your Director's Loan balance create avoidable tax or reporting obligations this year?**

# Salary & Dividends:
# Finding the "Sweet Spot"

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For many years, directors followed a familiar salary strategy, but changes introduced in the Autumn Budget have shifted the landscape again. Employer National Insurance has increased, thresholds have dropped, and allowances remain frozen.

This means old advice may no longer be optimal. The right approach now depends on whether you're a sole director, have employees, or can claim the Employment Allowance.

The goal remains the same:

- ✓ **Secure your State Pension**
- ✓ **Minimise National Insurance**
- ✓ **Extract profits at the lowest tax cost**

## 2026/27 Key Income Thresholds

| Threshold | Amount | Why it matters |
|---|---|---|
| **Personal Allowance** | £12,570 | Income up to this is tax-free |
| **Lower Earnings Limit** | £6,396 | Protects State Pension record |
| **Employer NI Threshold** | £5,000 | NI payable above this |
| **Dividend Allowance** | £500 | Tax-free dividends |

# Salary vs Dividend comparison

## Salary

- Tax-deductible for company
- Triggers Employer NI above £5,000
- Counts towards State Pension

## Dividends

- Paid from post-tax profits
- No NI payable
- Taxed at dividend rates

## Key highlights

- **Employer NI is now 15% on salaries above £5,000**
- **Employment Allowance (£10,500) can wipe out NI for multi-employee companies**
- **Dividend tax rates remain lower than income tax**
- **Are you reviewing your extraction strategy before each dividend declaration, or just repeating last year's numbers?**

# What Smart Directors Do Differently in 2026/27

Tax rules affect everyone. Strategy separates the prepared from the reactive. Forward-thinking directors:

**Review profit extraction quarterly**
Not annually They adjust dividends based on profit, not habit.

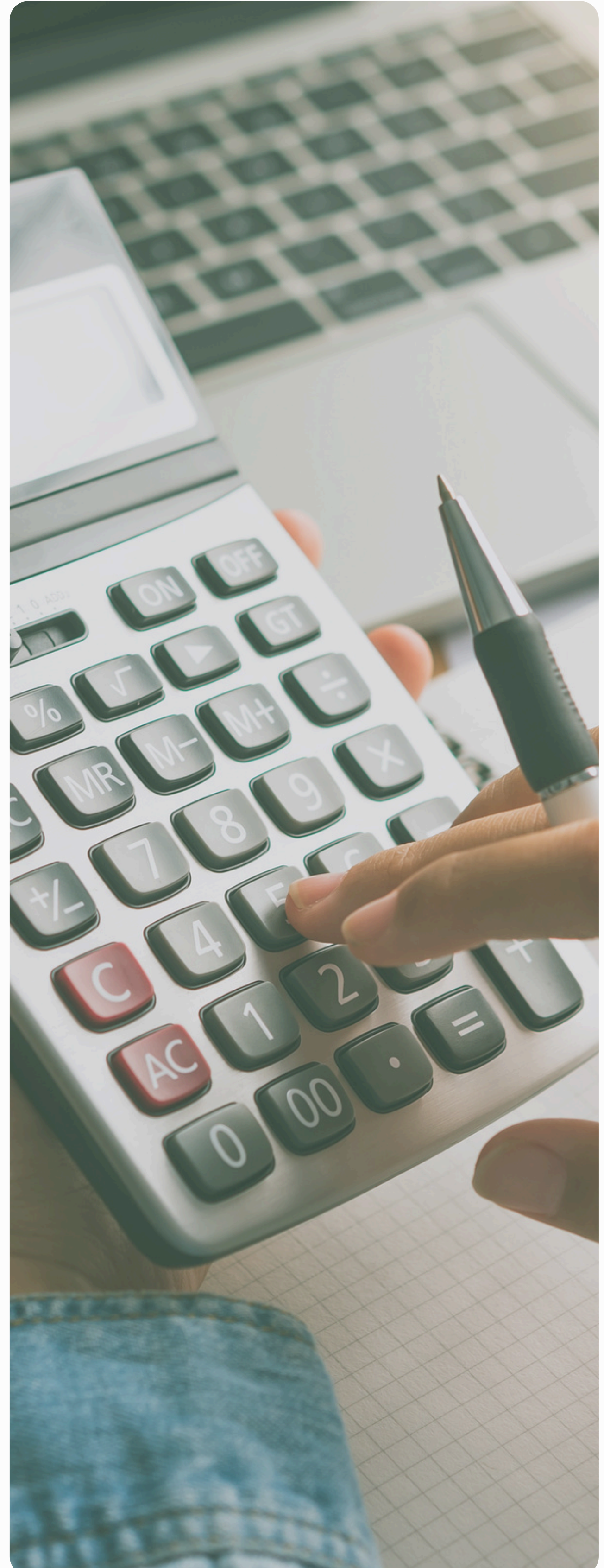
**Plan before the year-end, not after**
Most tax opportunities disappear once the year closes.

**Use pensions deliberately**
They view pension contributions as a tax strategy and a wealth tool.

**Keep clear records of dividends & loans**
Compliance protects savings.

**Retain profit intentionally**
They don't drain the company automatically, they build reserves for growth, investment, and resilience.

**Separate spending from business planning**
The company is a vehicle for growth, not just income.



Forward-thinking directors use their company as a wealth-building vehicle. Reactive directors use it as an income source.

# Building Wealth Beyond Tax Savings

Reducing tax is important, building long-term wealth is more powerful. A limited company structure gives directors strategic advantages, if used correctly. Most directors focus on reducing tax each year, few build a long-term extraction and reinvestment strategy. The difference compounds over time.

## Retaining Profits for Growth

Leaving funds inside the company may:

- **Reduce immediate personal tax exposure**
- **Strengthen cash flow**
- **Fund future investment**
- **Support expansion or hiring**

Not all profits need to be extracted immediately.

## Pension as a Wealth Vehicle

Company pension contributions:

- **Reduce Corporation Tax**
- **Grow tax-free**
- **Sit outside the company balance sheet**
- **Provide long-term security**

Used strategically, pensions are one of the most tax-efficient ways to extract value from a company.

## Investing Through the Company

Some directors use retained profits to:

- **Purchase commercial property**
- **Fund new ventures**
- **Create group structures**
- **Support acquisitions**

This requires planning, but opens significant opportunities.

## Planning for Exit

Even if retirement feels distant, planning early:

- **Improves business valuation**
- **Reduces future tax exposure**
- **Creates flexibility**

Wealth is built deliberately, not accidentally.

## The Strategic Shift

Tax planning answers: **“How do I pay less this year?”**
Wealth planning asks: **“What is this company building for me long term?”**

Both matter.

Confidence

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# Planning Checklist

Good tax planning isn't about reacting, it's about reviewing the right areas regularly. A short annual check-in can prevent missed allowances, cash flow issues, and compliance problems later.

Use this checklist as a conversation starter with your accountant.

## Proactive Checklist

| Review item | Why it matters |
|---|---|
| ☐ Pension contributions | 100% deductible, up to £60,000 |
| ☐ Relevant life cover | Tax-efficient protection |
| ☐ Employment Allowance | Offsets NI increases |
| ☐ Dividend paperwork | Legal compliance |
| ☐ Software & records | MTD readiness |

## What to do next

This guide is designed to highlight opportunities, not replace personalised advice. Every business is different, and small changes in structure or timing can have a significant tax impact.

Speak to your accountant about how these rules apply to your business, and whether your current setup is still the most tax-efficient for 2026/27.

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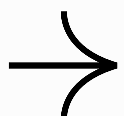

Note: All figures and tax rates are correct for the 2026/27 tax year at the time of publication. Tax laws change frequently; please verify current figures with your accountant before taking action.