



EXTRACTING DIVIDENDS FROM YOUR COMPANY AHEAD OF THE APRIL 2026 TAX RISE

Key Information for Shareholders

As a shareholder, be aware that starting from 6 April 2026, the tax rates on dividends will increase as follows:

- Basic rate: rises from 8.75% to 10.75%
- Higher rate: increases from 33.75% to 35.75%
- Additional rate: remains unchanged at 39.35%

For shareholders of owner-managed companies, dividends remain one of the most tax-efficient methods for extracting money from the business. However, with these impending increases, it is wise to reassess your extraction strategy.

Utilising 2025/26 Allowances and Rates

With only a few days left in the 2025/26 tax year, if you can control the timing of your dividends, it might be advantageous to accelerate dividend payments before 6 April 2026. Please reach out to us to see if this strategy would be beneficial for you.

Salary versus Dividends in 2026/27

When it comes to drawing profits from a company tax-efficiently, a combination of salary and dividends is often the best route.

For many individuals, taking a small salary that matches the £12,570 personal allowance and then receiving dividends for the remaining income can be an effective strategy. This approach will still be valid in 2026/27, despite the increased dividend tax. However, the higher tax may necessitate an increase in dividend amounts to maintain the same income level.

In some cases, opting for a higher salary may be advisable, especially if the employment allowance is available to counterbalance any employer's national insurance contributions on salaries.

Please do contact us for personalised advice on how to maximise income from your company.

For limited advice on handling your company's income, please do not hesitate to contact us.