

Extracting Company Profits

How to take money out of your limited company tax-efficiently — the five routes, how they stack, and the salary-and-dividend mix that leaves the most in your pocket.

Tax year 2025/26 · Reviewed by [Kiran Boparai](#) · Last reviewed 6 June 2026 · Sources: gov.uk

PERSONAL ALLOWANCE	DIVIDEND ALLOWANCE	DIVIDEND TAX	CORPORATION TAX	EMPLOYER'S NIC
£12,570	£500	8.75% · 33.75% · 39.35%	19% – 25%	15% over £5,000

01 What "extracting profits" means

Money your company earns belongs to the company, not to you — until you take it out. How you take it out decides how much tax you pay. Get the mix right and the same profit can leave thousands more in your hands.

i The goal is balance: tax efficiency, staying compliant, and your wider financial plan.

02 Your five routes out

There is no single "best" method — the strongest plans combine several. The five levers a director can pull are:

- A salary through PAYE
- Dividends from post-tax profit
- Employer pension contributions
- Interest on money you have lent the company (a director's loan)
- Rent for personally-owned assets the business uses

03 A salary up to the personal allowance

Most directors take a small salary set at the personal allowance. Below it there is no income tax, and the company gets Corporation Tax relief on the cost. Above roughly £5,000 the company pays Employer's National Insurance on the excess — so the salary level is a deliberate trade-off, not an accident.

i A salary also preserves your entitlement to the State Pension and other contributory benefits.

04 Dividends — the workhorse

Dividends are paid from profit the company has already paid Corporation Tax on, and are then taxed on you personally at lower rates than salary, with no National Insurance. They can only be paid where the company has sufficient retained profit, and must be properly documented.

i Each shareholder gets a small tax-free dividend allowance before dividend tax applies.

05 Putting it together

For most owner-directors a low salary plus dividends wins — but the truly efficient answer often layers in a pension contribution and, where they apply, loan interest or rent. The exact split depends on your total income and goals. Try it on your own numbers:

06 The overlooked routes: pension, loan interest, rent

Three levers most directors forget:

- Employer pension contributions are a deductible company expense and are not taxed as your income now — frequently the single most efficient pound you can extract.
- If you have lent the company money, it can pay you interest: deductible for the company, often covered by your Personal Savings Allowance, and no NIC.
- If the business uses an asset you personally own (such as property), it can pay you rent — deductible for the company, with no NIC.

i These are powerful but situational — the right mix is personal, and worth a five-minute conversation.

07 Common mistakes to avoid

The errors that cost directors money or trigger HMRC attention:

- Drawing dividends when there are no distributable profits (an unlawful dividend).
- Skipping the paperwork — dividend vouchers and board minutes matter.

- Letting a director's loan run overdrawn past nine months and one day after year-end (a temporary Corporation Tax charge applies).
 - Ignoring pensions — often the biggest missed saving.
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Common questions

Is it better to take salary or dividends?

For most owner-directors, a small salary up to the personal allowance plus dividends is more efficient than salary alone, because dividends carry no National Insurance and are taxed at lower rates. The best split depends on your total income — use the calculator above on your own figures.

Can I just leave the money in the company?

Yes. There is no rule that you must extract profit. Leaving it in the company (or contributing it to a pension) can be the most tax-efficient option, especially if drawing it would push you into a higher tax band.

Do I pay National Insurance on dividends?

No. Dividends are not subject to National Insurance, which is a large part of why a salary-plus-dividend mix usually beats a salary alone.

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