



LIMITED COMPANY TAX SERIES

TAX YEAR 2026/27

DIRECTORS · BENEFITS AND EXPENSES

The Director's Tax-Saving Guide

The benefits and expenses you can legitimately claim through your limited company, and how a solo director on £80,000 of profit can keep around £14,000 more a year. Every figure checked against current GOV.UK guidance.

ELECTRIC CAR BIK

4%

DIVIDEND ALLOWANCE

£500

PENSION ALLOWANCE

£60_k

• [START HERE](#)

Most directors leave real money on the table


As a director and shareholder of your own company, you choose how money leaves the business and which costs run through it. Get those choices right and you pay less tax, completely legitimately. Get them wrong, or never make them, and you quietly overpay year after year. This guide is the short version of what a good accountant would set up for you.


The biggest levers, at a glance

<p>OPTIMAL SALARY</p> <p>£12.6k</p> <p>Around the personal allowance</p>	<p>ELECTRIC CAR BIK</p> <p>4%</p> <p>Taxed on 4% of list price</p>	<p>EMPLOYER PENSION</p> <p>£60k</p> <p>Deductible, no personal tax now</p>	<p>EQUIPMENT RELIEF</p> <p>£1m</p> <p>Annual Investment Allowance</p>
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What this guide covers

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 **LEGITIMATE, NOT AGGRESSIVE**
Everything in this guide is HMRC-approved and used by well-advised companies every day. The point is not clever schemes, it is simply claiming what you are entitled to, with the records to back it up. **No receipt or board minute, no claim.**

 **What you'll need**

ABOUT 15 MINUTES

-  **Your latest accounts** or a rough idea of your annual profit
-  **How you pay yourself now**, salary and dividends, and your pension position
-  **Your car and home-working setup**, plus any equipment you buy through the company

01 SALARY, DIVIDENDS AND PENSION

The most tax-efficient way to pay yourself

A director has a choice no employee has: take a small salary, top up with dividends, and let the company pay into your pension. Blend the three well and you can extract the same income for thousands less tax.

A small salary first

A salary of around **£12,570**, the personal allowance, is usually the sweet spot. There is no income tax and no employee National Insurance, the salary is deductible for Corporation Tax, and it keeps your state pension record going. A single-director company pays a little employer National Insurance (15% above the £5,000 threshold), which is itself deductible.

Dividends on top

Take further income as **dividends** from post-tax profits. The first **£500** each year is tax free. Above that, dividends are taxed at **10.75%** (basic), **35.75%** (higher) and **39.35%** (additional), well below the equivalent salary plus NI. Dividends need available profit and a dated board minute and voucher.



THEN LET THE COMPANY PAY YOUR PENSION

An **employer pension contribution** is one of the best deals a director gets. It is deductible for Corporation Tax, carries no National Insurance, and is not taxed as your income now. You can pay in up to the **£60,000** annual allowance, plus up to three years of unused allowance carried forward, as long as the total package is reasonable for your role.



Worked example · extracting £42,570 of income

Option A, take it all as salary

Income tax and employee NI on £42,570	£8,400
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Option B, £12,570 salary plus £30,000 dividends

Income tax and employee NI on the salary	£0
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Dividend tax (£500 free, £29,500 at 10.75%)	£3,171
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Personal tax saved by the salary and dividend mix	£5,229
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DIVIDENDS NEED PROFIT, EVERY TIME

A dividend can only be paid from available post-tax profit. Pay one when the profit is not there and it is an illegal dividend: HMRC can recharacterise it as salary or a director's loan, with tax to match. Check the reserves and minute the decision before you pay.

02 BENEFITS WITH ZERO PERSONAL TAX

Tax-free benefits you can take through the company

These benefits cut the company’s Corporation Tax bill and create no personal tax for you, as long as you keep within the limits. They are small individually, but they add up and they are simple to set up.

BENEFIT	WHAT YOU CAN DO	THE LIMIT
Trivial benefits	Small non-cash gifts such as vouchers or a hamper, not a reward for work	£50 each, £300 / yr
Annual event	A Christmas party or summer event, including partners as guests	£150 / head
Mobile phone	One phone on a contract in the company name, personal use is fine	One per person
Eye tests	Eye test for screen work, plus glasses prescribed only for screen use	Full cost
Subscriptions	Fees to relevant professional bodies and genuinely job-related training	Full cost

Source: GOV.UK, Expenses and benefits (trivial benefits, social functions and parties, mobile phones, eye tests, subscriptions and professional fees). 2026/27.



TRIVIAL BENEFITS, THE EASY £300

As a director of a close company you can take up to **£300** a year in trivial benefits, made up of separate gifts of **£50 or less** each (including VAT). Six £50 vouchers spread across the year is the classic approach. Go a penny over £50 on any one gift and that whole gift becomes taxable.



THE £150 EVENT IS A THRESHOLD, NOT AN ALLOWANCE

The annual event exemption covers up to **£150 per head** across the year, including VAT, food, drink and travel. Spend £151 a head and the **entire** cost becomes a taxable benefit, not just the £1 over. Count your guests and keep the receipts.

One mobile phone per person is fully tax free if the contract is in the company name and the company pays the provider, even where you use it personally. Reimbursing your own personal contract does not qualify, so move the contract across or take out a new one.

03 THE STANDOUT SAVERS

The electric company car and the £1m equipment allowance

Two of the biggest levers a director has sit here. A new electric car taxed on just 4% of its list price, and full tax relief on the equipment you buy to run the business.

A petrol or diesel company car is usually a poor deal, taxed on a high share of its list price every year. An **electric car** is the opposite. For 2026/27 a fully electric company car is taxed on just **4%** of its list price, so the personal tax is tiny and the company still gets the running costs.

 **Worked example · a £40,000 car, higher-rate director**


Electric car, taxed on 4% of £40,000	£1,600 benefit
Personal tax on the electric car (40%)	£640 / yr
Equivalent petrol car, taxed on around 30%	£12,000 benefit
Personal tax on the petrol car (40%)	£4,800 / yr
Personal tax saved by choosing electric	£4,160 / yr

 **ELECTRIC MEANS FULLY ELECTRIC**

The 4% rate applies only to cars with **zero** tailpipe emissions. Plug-in hybrids are taxed on a higher percentage set by their CO2 and electric range, and a normal petrol or diesel can run to 30% or more of list price. For many directors a personal car claimed at mileage rates (see Section 04) still beats any company car: compare both.

 **Equipment, laptops and the Annual Investment Allowance**

A laptop, phone, tools or other equipment bought by the company and used **mainly for business** creates no personal benefit in kind. The company claims the cost through the **Annual Investment Allowance**, which gives **100% relief** on up to **£1,000,000** of qualifying equipment in the year you buy it. Buy in the company name, keep the invoice, and add it to your asset register.

 **A £1,500 LAPTOP, RELIEVED IN FULL**

Buy a £1,500 laptop through the company and the full cost comes off your taxable profit this year under the AIA. At the 19% small-profits rate that is **£285** off the Corporation Tax bill, more at the marginal or main rate. Cars are the exception: they get writing-down allowances, not the AIA.

04 WORKING FROM HOME AND MOTORING

Home office, mileage, and what to avoid

If you work from home and use your own car for business, the company can reimburse you tax free. A few common traps are worth knowing before they cost you.

Working from home

The simplest route: the company pays you **£6 a week** (about £26 a month) towards home-working costs, with **no records** needed. If you use a proper home office, a formal **licence agreement** to rent the space to the company can give more relief, but it needs a market rate and care over the tax on the rent, so take advice first.

Business mileage in your own car

Use your own car for business and the company reimburses you tax free at HMRC's approved rates: **55p a mile** for the first 10,000 business miles, then **25p**. It is **24p** for motorcycles and **20p** for bicycles. The payment is deductible for the company and tax free for you, with no benefit in kind.



MILEAGE ROSE TO 55P, AND MOST LOGS ARE OUT OF DATE

The car rate rose from 45p to **55p** for the first 10,000 miles from 6 April 2026. If your mileage claims still use 45p you are short-changing yourself. Keep a simple log with the date, the journey and the business reason. Home to a regular workplace is commuting and does not count.

What to avoid

THE TRAP	WHY IT BITES
Illegal dividends	Paying a dividend with no available profit. HMRC can recharacterise it, with tax and interest to follow.
Mixing the money	Paying personal costs from the company account creates a director's loan, and can trigger a 35.75% s455 charge if not repaid in time.
No records	Claims without receipts, board minutes or mileage logs are the first thing HMRC disallows on a check.
Client entertaining	Lunches and hospitality for clients are never deductible for Corporation Tax, however genuine the business reason.

Source: GOV.UK, Corporation Tax (dividends and reserves, director's loans and s455), and business entertaining rules. 2026/27.

05 IT ALL ADDS UP

Priya, a solo director on £80,000 of profit

Priya runs her company alone, works from home and drives her own car for business. She used to take everything as salary and dividends and run an old petrol car. Here is what changed when she used the full toolkit in this guide. Figures are conservative and rounded.

WHAT SHE CHANGED	HOW	TAX SAVED / YR
Pay mix	£12,570 salary plus dividends, instead of all salary	£5,229
Employer pension	£20,000 company contribution, deductible at 19%	£3,800
Electric car	Swapped the petrol car for an electric one at 4% BiK	£4,160
Mileage and home	4,000 business miles at 55p, plus the £6 / wk allowance	£460
Tax-free benefits	Trivial benefits, annual event, company mobile and a laptop	£490
Estimated total tax saved every year		£14,139

Illustrative and conservative. Corporation Tax savings shown at the 19% small-profits rate; with profits in the marginal band Priya's real saving is likely larger. Personal-tax savings on the car assume a higher-rate position. Your numbers depend on your profit, your pay mix and your circumstances.



THE HEADLINE

Same income in Priya's pocket, same kind of car on the drive, around **£14,000 less tax a year**, every year. None of it is aggressive. It is simply the difference between a default setup and one a good accountant would put in place.



HOW MUCH ARE YOU LEAVING ON THE TABLE?

If you are not already doing most of the above, there is a strong chance you are overpaying. A short review will tell you exactly where, and what it is worth for your company. Details on the next page.



— FREE 15-MINUTE TAX-SAVING DISCOVERY SESSION

Find out what you're leaving on the table

Book a free, no-obligation 15-minute session and a CIMA-qualified accountant will look at how you pay yourself, your car and your benefits, then tell you in plain English what you could save this year.

- ✓ A quick review of your salary, dividend and pension mix
 - ✓ A clear steer on the electric car, mileage and home-office claims
 - ✓ A plain-English number: roughly what better structure is worth to you
- Reviewed by a **CIMA-qualified** accountant (ACMA, CGMA)

★★★★★ 4.9 on Google · 56 reviews



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About this guide. Reviewed by Harvey Dhillon, ACMA CGMA. For limited company directors. Figures verified against GOV.UK for the 2026/27 tax year. This guide is general information, not advice for your specific circumstances; rates, thresholds and reliefs can change. Always confirm your position with a qualified accountant before acting. © Zmartly 2026.