

## Take home pay calculations

Limited versus Umbrella comparison £100k fee base			
Turnover, Allowances & Expenses	Outside IR35 Limited Co	Inside IR35 Limited Co	Inside IR35 Umbrella
Contractor Turnover	100,000	100,000	100,000
Flat rate VAT scheme	2,600	2,600	0
The 5% deduction	-5,130	-5,130	0
Direct Expenses	-12,000	-12,000	-10,000
Umbrella Co Fees	0	0	-1,500
<b>Total</b>	<b>85,470</b>	<b>85,470</b>	<b>88,500</b>

Limited versus Umbrella comparison £50k fee base			
Turnover, Allowances & Expenses	Outside IR35 Limited Co	Inside IR35 Limited Co	Inside IR35 Umbrella
Contractor Turnover	50,000	50,000	50,000
Flat rate VAT scheme	1,300	1,300	0
The 5% deduction	-2,565	-2,565	0
Direct Expenses	-6,000	-6,000	-5,000
Umbrella Co Fees	0	0	-1,500
<b>Total</b>	<b>42,735</b>	<b>42,735</b>	<b>43,500</b>

Taxes & NI Paid			
PAYE	6,400	19,636	20,701
Employers NI	5,226	9,381	9,748
Employee NI	4,545	4,854	4,907
Employment Allowance	-3,000	0	0
Corporation Tax	5,849	0	0
Tax on dividend	2,679	0	0
<b>Total</b>	<b>21,699</b>	<b>33,870</b>	<b>35,356</b>
Take-home pay	67,271	55,100	53,144
<b>Take-home pay %</b>	<b>79%</b>	<b>64%</b>	<b>60%</b>

Taxes & NI Paid			
PAYE	0	5,507	5,605
Employers NI	810	4,199	4,473
Employee NI	705	3,657	3,716
Employment Allowance	-810	0	0
Corporation Tax	4,147	0	0
Tax on dividend	752	0	0
<b>Total</b>	<b>5,604</b>	<b>13,363</b>	<b>13,794</b>
Take-home pay	38,631	30,872	29,706
<b>Take-home pay %</b>	<b>90%</b>	<b>72%</b>	<b>68%</b>

### Notes

- In the outside IR35 example there are two shareholders/directors.
- Salaries for the 2 directors are £43,000 and £11,000.
- Dividends are paid equally to both directors.
- Both directors qualify for £5,000 tax free dividends.
- For the limited companies to arrive at take-home pay you must add back the profit on the 5% allowance. In this example we have assumed £3,500.
- To qualify for the employment allowance there must be >1 on the payroll.
- Direct business expenses are in addition to the 5% allowance and are allowable expenses such as travel and subsistence.
- Take home pay = £85,470-£21,699+£3,500=£67,271

### Notes

- In the outside IR35 example there are two shareholders/directors.
- Both directors receive a salary of £11,000.
- Dividends are paid equally to both directors.
- Both directors qualify for £5,000 tax free dividends
- For the limited companies to arrive at take-home pay you must add back the profit on the 5% allowance. In this example we have assumed £1,500.
- To qualify for the employment allowance there must be >1 on the payroll.
- Direct business expenses are in addition to the 5% allowance and are allowable expenses such as travel and subsistence.
- Take-home pay = £42,735-£5,604+£1,500 = £38,631