

**Pat and PatCo Limited**  
**Tax Liabilities 2025-26**



**Assumptions**

Pat provides services through PatCo Limited to MegaCo PLC.  
 The contract is for £10,000 a month, and is considered outside of IR35  
 Assuming Pat works 12 months of the year, PatCo's turnover will be £120,000  
 Patco incurs operating expenses of £10,000 a year  
 Pat draws a salary of £12,000 and a dividend of £50,000  
 Pat also receives £4,000 of rent a year from a buy to let

Case study 1 shows a mid range dividend value  
 Case study 2 shows a lower dividend value and higher retained profit locked up in the company  
 Case study 3 shows a maximum dividend and no retained profit

<b><u>Business Accounts</u></b>	case study 1 £	case study 2 £	case study 3 £
Turnover	<u>120,000</u>	<u>120,000</u>	<u>120,000</u>
Business Expenses	(10,000)	(10,000)	(10,000)
Salary to Pat	(12,000)	(12,000)	(12,000)
Employers NI	<u>(1,050)</u>	<u>(1,050)</u>	<u>(1,050)</u>
Total expenses	<u>(23,050)</u>	<u>(23,050)</u>	<u>(23,050)</u>
Profit for Corporation Tax	96,950	96,950	96,950
Corporation Tax	<u>(21,942)</u>	<u>(21,942)</u>	<u>(21,942)</u>
Profit after Tax	75,008	75,008	75,008
Dividend	<u>(50,000)</u>	<u>(20,000)</u>	<u>(75,008)</u>
Retained Profit	<u>25,008</u>	<u>55,008</u>	=

**Company Payroll (annual)**

Pat's salary	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>
Employers NI	1,050	1,050	1,050
Employees NI	-	-	-
Income Tax	=	=	=
Pat's take home	12,000	12,000	12,000
Payment to HMRC	<u>1,050</u>	<u>1,050</u>	<u>1,050</u>

**Pat's Self Assessment**

Salary	12,000	12,000	12,000
Rental Income	4,000	4,000	4,000
Dividend	<u>50,000</u>	<u>20,000</u>	<u>75,008</u>
Total	<u>66,000</u>	<u>36,000</u>	<u>91,008</u>
Income Tax on non dividend	686	686	686
Dividend Tax	<u>8,264</u>	<u>1,706</u>	<u>16,704</u>
Total	<u>8,950</u>	<u>2,392</u>	<u>17,390</u>

**Total Taxes to HMRC**

Corporation Tax	21,942	21,942	21,942
PAYE/NI	1,050	1,050	1,050
Self Assessment	<u>8,950</u>	<u>2,392</u>	<u>17,390</u>
	<u>31,942</u>	<u>25,384</u>	<u>40,382</u>

**Overall Summary for Pat and PatCo**

Company Turnover	120,000	120,000	120,000
Rent	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
	<u>124,000</u>	<u>124,000</u>	<u>124,000</u>

HMRC	31,942	25,384	40,382
Pat's net income	57,050	33,608	73,618
Retained Profit	25,008	55,008	-
Expenses	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
	<u>124,000</u>	<u>124,000</u>	<u>124,000</u>

**VAT**

Turnover	120,000	120,000	120,000
Vat @ 20%	<u>24,000</u>	<u>24,000</u>	<u>24,000</u>
Total invoiced to MegaCompany PLC	<u>144,000</u>	<u>144,000</u>	<u>144,000</u>
Vat to pay over each quarter	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>

(Assume no vat to recover on expenses)