

## Profit Extraction Planner

The Profit Extraction Planner allows the accountant to easily compute the tax effect of alternative profit extraction strategies for clients.

It guides the user to determine the optimum use of the Personal Allowance, the Savings Allowance, the starting rate band for savings income and the Dividend Allowance.

Up to six director-shareholders can be catered for.

Set out below are various screen shots of the software which demonstrate the help given to making decisions about profit extraction.

### First part of input screen

A1						
	A	B	C	D	E	F
1			Enter number of director-shareholders	2		
2			Press the tab button to move from one cell to the next			
3			You can enter the names of the individuals by overtyping entries 'DS1' 'DS2' etc			
					Director-shareholders	
4			2016/17	DS_1	DS_2	
5						
6			Other income except sal/interest/divs from company		£	
7			Interest		Nil	Nil
8			Dividends		Nil	Nil
9			Other income		Nil	Nil
10						
11			Based on above figures, remaining allowances are:			
12			Personal Allowance		11,000	11,000
13			Starting rate band and savings allowance remaining available		6,000	6,000
14			Dividend Allowance		5,000	5,000
15						
16				£		
17						
18			Company profits	Nil		

**YELLOW CELLS ARE FOR ENTRY OF DATA AND FIGURES.**

ENTER NUMBER OF DIRECTOR-SHAREHOLDERS WILL REVEAL MORE COLUMNS

ENTERING OTHER INCOME WILL REVEAL REMAINING ALLOWANCES.

### Results of entry of other income

A	B	C	D	E	F	K
1		Enter number of director-shareholders	2			
2		Press the tab button to move from one cell to the next				
3		You can enter the names of the individuals by overtyping entries 'DS1' 'DS2' etc				
				Director-shareholders		
4		2016/17	DS_1	DS_2		
5						
6		Other income except sal/interest/divs from company		£		
7		Interest		400	100	
8		Dividends		Nil	Nil	
9		Other income		10,000	Nil	
10						
11		Based on above figures, remaining allowances are:				
12		Personal Allowance		600	10,900	
13		Starting rate band and savings allowance remaining available		6,000	6,000	
14		Dividend Allowance		5,000	5,000	
15						
16			£			
17						
18		Company profits	Nil			

ENTERING OTHER INCOME WILL REVEAL REMAINING ALLOWANCES.

### Second part of input screen

	A	B	C	D	E	F	G
4				2016/17	DS_1	DS_2	
18			Company profits	Nil			
19			Salaries/bonuses	Nil	Nil	Nil	
20			<small>If salaries and other income above PA, starting rate band on interest is not fully available</small>				
21			Starting rate band and savings allowance remaining available		6,000	6,000	
22			Employer NI on salaries	Nil	Nil	Nil	
23			Interest to director-shareholders	Nil	Nil	Nil	
24			<small>Consider employer pension contributions. If adjusted income plus pension contributions are above £150,000, tax efficient contributions are severely restricted</small>				
25			Employer pension contributions	Nil	Nil	Nil	
26			Profit before corporation tax	Nil			
27			Corporation tax	Nil			
28			Profit after corporation tax	Nil			
29			Dividend allowance remaining available		5,000	5,000	
30			Dividends	Nil	Nil	Nil	
32			Change in salaries for what if analysis		1,000	1,000	
			<small>Each Director-shareholder has own sheet 'DS1 what if' 'DS2</small>				

ENTERING SUGGESTED SALARIES WILL SHOW IF THIS AFFECTS 0% TAX RATES ON SAVINGS INCOME.

### Second part of input screen – entry of suggested salary

	A	B	C	D	E	F	G
4				2016/17	DS_1	DS_2	
14			Dividend Allowance		5,000	5,000	
16				£			
18			Company profits	200,000			
19			Salaries/bonuses	(20,060)	12,000	8,060	
20			<small>If salaries and other income above PA, starting rate band on interest is not fully available</small>				
21			Starting rate band and savings allowance remaining available		600	6,000	
22			Employer NI on salaries	(537)	537	Nil	
23			Interest to director-shareholders	Nil	Nil	Nil	
24			<small>Consider employer pension contributions. If adjusted income plus pension contributions are above £150,000, tax efficient contributions are severely restricted</small>				
25			Employer pension contributions	Nil	Nil	Nil	
26			Profit before corporation tax	179,403			
27			Corporation tax	(35,881)			
28			Profit after corporation tax	143,522			
29			Dividend allowance remaining available		5,000	5,000	

£12,000 SALARY FOR DS\_1 TRIGGERS OFF: NI LIABILITY, REMOVAL OF STARTING RATE BAND, AND £400 OF £1,000 OF SAVINGS ALLOWANCE

### Third part of input screen – entry of suggested dividends

	A	B	C	D	E	F	G
1			Enter number of director-shareholders	2			
2			<small>Press the tab button to move from one cell to the next</small>				
3			<small>You can enter the names of the individuals by overtyping entries 'DS1' 'DS2' etc</small>				Director-shareholders
4				2016/17	DS_1	DS_2	
25			Employer pension contributions	Nil	Nil	Nil	
26			Profit before corporation tax	179,403			
27			Corporation tax	(35,881)			
28			Profit after corporation tax	143,522			
29			Dividend allowance remaining		5,000	5,000	
30			Amount before higher rates apply		20,600	34,840	
31			Amount before Net Adj. Income restriction		77,600	91,840	
32			Dividends	Nil	Nil	Nil	
34			Change in salaries for what if analysis		1,000	1,000	
35			<small>Each Director-shareholder has own sheet 'DS1 what if' 'DS2 what if' etc</small>				
36			Change in dividends for what if analysis		1,000	1,000	

REMAINING DIVIDEND ALLOWANCE, AND OTHER RELEVANT INFORMATION SHOWN IN BLUE.

ENTERING DIVIDEND WILL ADJUST THIS INFORMATION.

1	Enter number of director-shareholders	2		
2	Press the tab button to move from one cell to the next			
3	You can enter the names of the individuals by overtyping entries 'DS1' 'DS2' etc		Director-shareholders	
4		2016/17	DS_1	DS_2
26	Profit before corporation tax	179,403		
27	Corporation tax	(35,881)		
28	Profit after corporation tax	143,522		
29	Dividend allowance remaining		Nil	Nil
30	Amount before higher rates apply		Nil	Nil
31	Amount before Net Adj. Income restriction		2,600	57,000
32	Dividends	(109,840)	75,000	34,840
34	Change in salaries for what if analysis		1,000	1,000
35	Each Director-shareholder has own sheet 'DS1 what if' 'DS2 what if' etc			
36	Change in dividends for what if analysis		1,000	1,000

**DIVIDENDS ENTERED.**  
A SUMMARY OF THE TAX EFFECT ON THE COMPANY AND THE DIRECTOR-SHAREHOLDERS IS SHOWN ON 'SUMMARY' SHEET  
EACH DIRECTOR-SHAREHOLDER HAS OWN 'WHAT IF' ANALYSIS SHEET

### Extract from summary page

The summary page is not protected and so can be adapted if desired for showing to clients

A	B	C	D	E	F
1	<b>Summary of profit allocation</b>				
2					
3			2016/17	DS_1	DS_2
4			£	£	£
5	<b>Company profits</b>		200,000		
6	Salaries/bonuses inc. employer NI		(20,597)	12,537	8,060
7	Employer pension contributions		Nil	Nil	Nil
8	Interest to director-shareholders		Nil	Nil	Nil
9	Profit before corporation tax		179,403		
10	Corporation Tax		(35,881)		
11	Profit after corporation tax		143,522		
12	Dividends		(109,840)	75,000	34,840
13	Retained profit		33,682		
15	<b>Receivable by director-shareholder before tax</b>			87,000	42,900
16	<b>Addition to pension</b>			Nil	Nil
17				87,000	42,900
19	<b>Taxes payable by director-shareholder on amounts receivable</b>				
20	Income tax on salary/bonus			200	Nil
21	National Insurance Contributions			473	Nil

**SHOWS EFFECTS ON THE COMPANY AND THE EFFECTS ON EACH DIRECTOR-SHAREHOLDER**

### Extract from 'what if' page – first part

Salary 'what if'	£	£	£	£	£
<b>Salary change</b>	Nil	1,000	2,000	3,000	4,000
<b>What if salary</b>	12,000	13,000	14,000	15,000	16,000
Cost to company of salary	10,030	10,940	11,850	12,761	13,671
Increase in cost to company		910	1,820	2,731	3,641
Increase in net receipt by director taking account of change to taxes on other income		430	860	1,154	1,360
%age benefit to director compared to cost to company		47.3%	47.3%	42.3%	37.4%
Marginal rate of taxes borne by director on change in salary consisting of:		57.0%	57.0%	61.5%	66.0%
increase in tax and NI on salary		320	640	1,020	1,440
increase in tax on other income		250	500	826	1,200
<b>Amount of dividend that could be paid at same cost to company</b>		910	1,820	2,731	3,641
Increase in net receipt by director as shareholder		614	1,228	1,769	2,178
%age benefit to shareholder compared to cost to company		67.5%	67.5%	64.8%	59.8%
Marginal rate of tax borne by director if dividend increased		32.5%	32.5%	35.2%	40.2%

**SHOWS FOR DS1 MARGINAL RATES OF TAX IF SALARY INCREASED AND INCREASE IN NET RECEIPT FOR DIRECTOR-SHAREHOLDER IF DIVIDEND PAID INSTEAD (AT NO EXTRA COST TO THE COMPANY)**

Extract from 'what if' page – second part

Dividend 'what if'					
	£	£	£	£	£
<b>The effect of dividend increasing but no increase in salary</b>					
<b>Dividend change</b>	Nil	1,000	2,000	3,000	4,000
<b>What if dividend</b>	75,000	76,000	77,000	78,000	79,000
Increase in cost to company		1,000	2,000	3,000	4,000
Increase in net receipt by director as shareholder		675	1,350	1,889	2,340
%age benefit to shareholder compared to cost to company		67.5%	67.5%	63.0%	58.5%
Marginal rate of tax borne by director on dividend increase		32.5%	32.5%	37.0%	41.5%

SHOWS FOR DS1 MARGINAL RATES OF TAX IF DIVIDEND INCREASED

JUMP IN MARGINAL RATE OF TAX AT £3K AND £4K DUE TO LOSS OF PA AS NET ADJUSTED INCOME WILL EXCEED £100K

Full workings can be viewed if desired

DS_1											
Income from all sources											
<i>Allocation of SPA and SRB</i>											
<i>Allocation of bands</i>											
		SPA avail	SPA	Inc after SPA	SRB avail	SRB	Inc after SRB	BRB avail	BR band	SA and DA	Inc after BRB
Salaries/bonuses	12,000	11,000	11,000	1,000			1,000	32,000	1,000		Nil
Other income except int and divs	10,000	Nil	Nil	10,000			10,000	31,000	10,000		Nil
Int. Other interest	600	Nil	Nil	600	Nil	Nil	600	21,000	600	500	Nil
Int. From company	Nil	Nil	Nil	Nil	Nil	Nil	Nil	20,400	Nil	Nil	Nil
Div Other dividends	Nil	Nil	Nil	Nil			Nil	20,400	Nil	Nil	Nil
Div From company	75,000	Nil	Nil	75,000			75,000	20,400	20,400	5,000	54,600
<b>Total taxes</b>											
<b>Total Income</b>	<b>97,600</b>									5,000	
				<b>allowances available</b>							
<b>Personal allowance</b>	11,000		11,000	Nil							
<b>Savings allowance</b>	500			Nil						500	
<b>SRB available</b>											
Total taxable inc exc Int and Divs	<b>11,000</b>										
Full SRB	5,000										
Available	Nil			Nil		Nil					
<b>Total SRB and SA available</b>				Nil		Nil					
<b>Dividend Allowance</b>	5,000			Nil		Nil					
<b>Allocation of allowances if other income less than Personal Allowance</b>											
Amount other income less than PA	Nil										
Amount interest exceeds SRB + SA	Nil										
Allocation to savings income	Nil										
Potential allocation to dividends	Nil										

## Example of output of Summary page

### Summary of profit allocation

	2016/17	DS_1	DS_2
	£	£	£
<b>Company profits</b>	<b>200,000</b>		
Salaries/bonuses inc. employer NI	(20,597)	12,537	8,060
Employer pension contributions	Nil	Nil	Nil
Interest to director-shareholders	Nil	Nil	Nil
Profit before corporation tax	179,403		
Corporation Tax	(35,881)		
Profit after corporation tax	143,522		
Dividends	(109,840)	75,000	34,840
Retained profit	<b>33,682</b>		
<b>Receivable by director-shareholder before tax</b>		87,000	42,900
<b>Addition to pension</b>		Nil	Nil
		<b>87,000</b>	<b>42,900</b>
<b>Taxes payable by director-shareholder on amounts receivable</b>			
Income tax on salary/bonus		200	Nil
National insurance Contributions		473	Nil
Income tax on interest		Nil	Nil
Income tax on dividends		18,900	2,018
		<b>19,573</b>	<b>2,018</b>
<b>Total net benefits to director-shareholder</b>		<b>67,427</b>	<b>40,882</b>
<b>Net costs to the company of salaries, interest and dividends</b>			
<i>Salaries/bonuses inc. employer NI</i>		12,537	8,060
Less CT relief		(2,507)	(1,612)
Net cost of salaries/bonuses		<b>10,030</b>	<b>6,448</b>
<i>Pension contributions</i>		Nil	Nil
Less CT relief		Nil	Nil
Net cost of pension contributions		<b>Nil</b>	<b>Nil</b>
<i>Interest to Director-shareholders</i>		Nil	Nil
Less CT relief		Nil	Nil
Net cost of interest		<b>Nil</b>	<b>Nil</b>
<i>Dividends</i>		<b>75,000</b>	<b>34,840</b>
<b>Total net costs to the company</b>		<b>85,030</b>	<b>41,288</b>
<b>The above assumes other income of:</b>			
Interest		600	100
Dividends		Nil	Nil
Other income		10,000	Nil

## Example of output for 'what if' page

What if' analysis for: DS\_1**Salary 'what if'**

	£	£	£	£	£
<b>Salary change</b>	Nil	1,000	2,000	3,000	4,000
<b>What if salary</b>	12,000	13,000	14,000	15,000	16,000
Cost to company of salary	10,030	10,940	11,850	12,761	13,671
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**Dividend 'what if'**

	£	£	£	£	£
<b>The effect of dividend increasing but no increase in salary</b>					
<b>Dividend change</b>	Nil	1,000	2,000	3,000	4,000
<b>What if dividend</b>	75,000	76,000	77,000	78,000	79,000
Increase in cost to company		1,000	2,000	3,000	4,000
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