



Employing your Spouse

When considering the overall tax position of your family, it is worth considering employing your spouse in your business.

This is a means of transferring income from you to your spouse. It is likely to show a tax saving if your spouse has unused personal allowances or pays tax at a lower rate than you do.

In order to justify a salary, the following points must be borne in mind:

- the level of salary must be commercially justifiable
- the salary must actually be paid to your spouse (and therefore affordable for you)
- the National Minimum Wage regulations are likely to apply

As well as a salary, you may be able to pay premiums for a special pension arrangement for your spouse. These should not be taxable on your spouse and should save you tax as a business expense.

It may also be possible to provide your spouse with a 'company car', which should not give rise to any tax charge if the combined annual salary and notional benefit-in-kind is below £8,500, although again the need for commercial justification should be borne in mind.

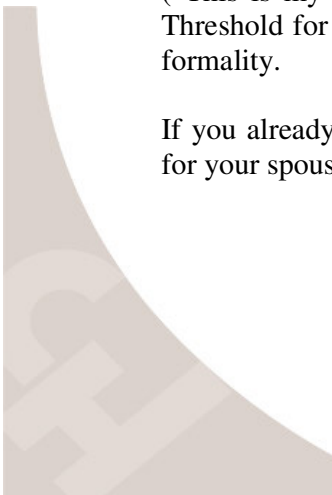
All the above considerations apply equally to an unmarried partner or indeed to any other individual.

Administering a salary

If your spouse has no other employment, a Form P46 should be signed with the Statement A ("This is my first job since last 6 April ...") ticked. You may then pay up to the Primary Threshold for employees' national insurance (£110 per week for 2010-11) without any further formality.

If you already have a PAYE scheme for other employees, or don't mind setting up a scheme for your spouse, you should consider the following points:

E-mail: help@clarkhowes.com
www.clarkhowes.com



- a salary between £97 and £110 per week will protect an entitlement to basic state pension and other contributory benefits without incurring any actual national insurance liability
- a salary between £110 and £844 per week is subject to employees' national insurance at 11% and employers' national insurance at 12.8%
- the income tax position depends on your spouse's personal circumstances
- the amount of salary exceeding £844 a week is subject to employees' national insurance at 1% and employers' national insurance at 12.8%, without upper limit

Please give us a call if there are any points you would like to discuss.

