

Reducing the burden of National Insurance

For employees and employers there are two types of National Insurance:

- Type 1:** Paid by both employer and employee, contributions being a percentage of earnings (including most benefits in kind)
- Type 1A:** Paid by employers only on the cash equivalent of certain benefits in kind.

When examining a business to ensure compliance with the regulations and helping owners to minimise their national insurance contributions we typically consider:

Dividends vs salary

Dividends can be more effective for certain companies in minimising National Insurance contributions. This is a complex decision and a thorough review of all business and personal aspects is undertaken before we can form a judgement.

Similarly we review benefits in kind, especially company cars where often these are alternative strategies available. Other strategies include:

- Paying less by way of salary, more as a bonus to reduce employee (not director) contributions
- Paying dividends instead of bonuses to owner-directors (this strategy requires careful consideration in view of the possibility of challenge by the Inland Revenue)
- Provision of childcare
- Increasing the amount the employer contracts to contribute to company pension schemes
- Share incentive plans (shares bought out of pre-tax and pre-NIC income)
- For small companies, disincorporation and instead operating as a sole trader or partnership.

We have helped many business owners minimise their National Insurance contributions burden, let us know if we can help you.