TAX GUIDE

10 TAX SAVING TIPS FOR UK LIMITED COMPANY DIRECTORS

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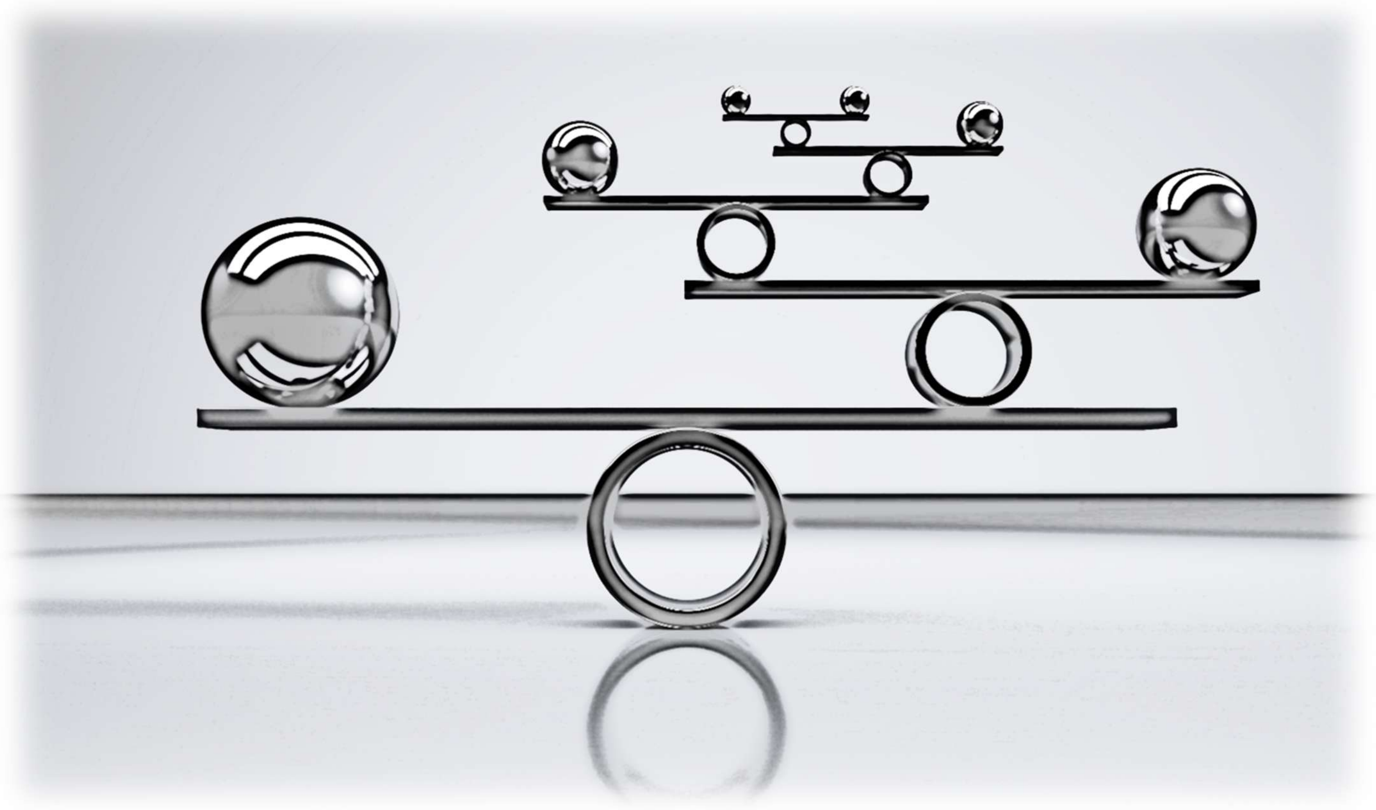


ARE YOU PAYING MORE TAX THAN YOU NEED TO?

Thousands of UK limited company directors legitimately reduce their tax bills every year. Many others simply **don't know what they're entitled to claim**.

This guide explains ten of the most valuable tax-saving opportunities available to company directors in 2026.

1. PAY YOURSELF THE MOST TAX-EFFICIENT COMBINATION OF SALARY AND DIVIDENDS

One of the biggest advantages of operating through a limited company is deciding **how you take your income**. Most owner-directors don't simply take all their earnings as salary. Instead, they might receive a combination of:

- Salary
- Dividends
- Employer pension contributions (where appropriate)

Salary is **deductible for Corporation Tax purposes** but can trigger Income Tax and National Insurance. Dividends **don't attract National Insurance** but are only paid from company profits after Corporation Tax has been paid. Finding the right balance can significantly reduce your overall tax bill.

EXAMPLE

Most directors choose a salary around the most tax-efficient national insurance threshold for the tax year, with the remainder taken as dividends. The salary is set within the tax-free threshold, so no income tax, nor national insurance payable and **dividends** are **taxed at a lower rate** than salary.

TOP TIP

The **optimum mix** depends on your company's profits, other income, national insurance position and future pension plans. A **quick tax review** could uncover additional savings specific to your circumstances.

POTENTIAL ANNUAL SAVING £1,000–£8,000+

2. LET YOUR COMPANY PAY INTO YOUR PENSION

Employer pension contributions are highly tax efficient.

When your company makes contributions directly into your pension:

- The company normally receives **Corporation Tax relief**
- **No National Insurance is payable**
- You don't pay Income Tax on the contribution when it's made
- Your **retirement savings grow** in a tax-efficient environment

EXAMPLE

If a company contributes £20,000 into the director's pension, there will be no income tax or national insurance payable on this contribution, and the whole contribution will **reduce the company profits** for corporation tax while **building the director's retirement fund** without paying dividend tax.

TOP TIP

Always ensure contributions are **reasonable for the business** and stay within the pension rules and **available allowances**. Current pension rules generally allow **up to 25% of your pension to be taken tax-free**, subject to the prevailing legislation.

POTENTIAL ANNUAL SAVING £500–£15,000+

3. CLAIM BUSINESS MILEAGE CORRECTLY

If you **use your own car for business** journeys, don't miss out on mileage claims. HMRC allows **approved mileage rates** for qualifying business travel using your personal vehicle.

Business journeys include travelling to:

- Clients
- Suppliers
- Temporary workplaces
- Business meetings & other business-related places

The amount claimed will be a **tax-deductible expense** for the company, reducing Corporation Tax, and tax free in your hands, hence wise there is no Income Tax nor National Insurance payable.

EXAMPLE

Keep a mileage log showing:

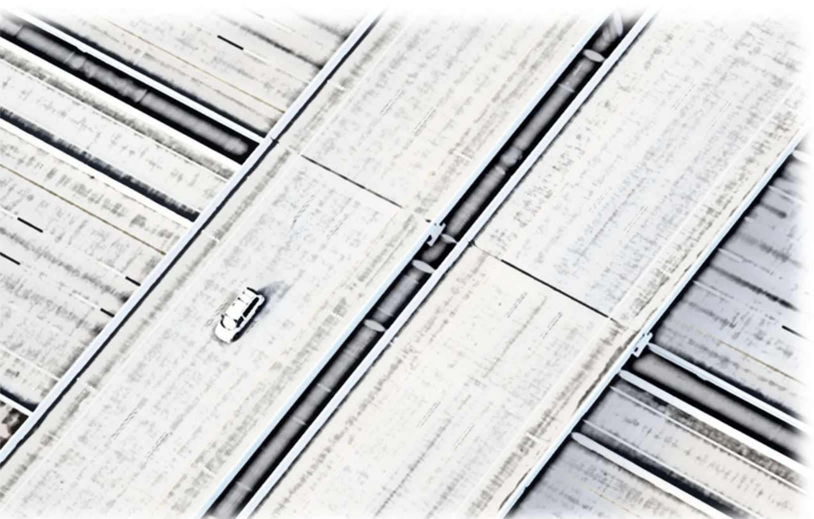
> date
> destination
> business purpose
> miles travelled
> persons travelling

For example, 2,000 business miles x 55p = £1,100 paid tax-free to director and deductible for the company.

TOP TIP

Good records make HMRC enquiries much easier. You can claim an **extra 5p per mile** if you take one of your employees (including another director) in your car on a business journey.

POTENTIAL ANNUAL SAVING £100 - £5,000+



DID YOU KNOW?

Ordinary commuting *between home and your permanent workplace* ***doesn't qualify****.*

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4. TAKE ADVANTAGE OF THE TAX-FREE BENEFITS

Many directors overlook one of HMRC's simplest tax exemptions.
Your company can provide certain small gifts that are **free from Income Tax** and **National Insurance** provided specific conditions are met.
Examples include:

- Flowers
- Chocolates
- Wine
- Hampers
- Birthday gifts

For directors of close companies, the exemption is generally limited to **£300 per tax year**.
Used correctly, this is an easy and completely legitimate tax saving.

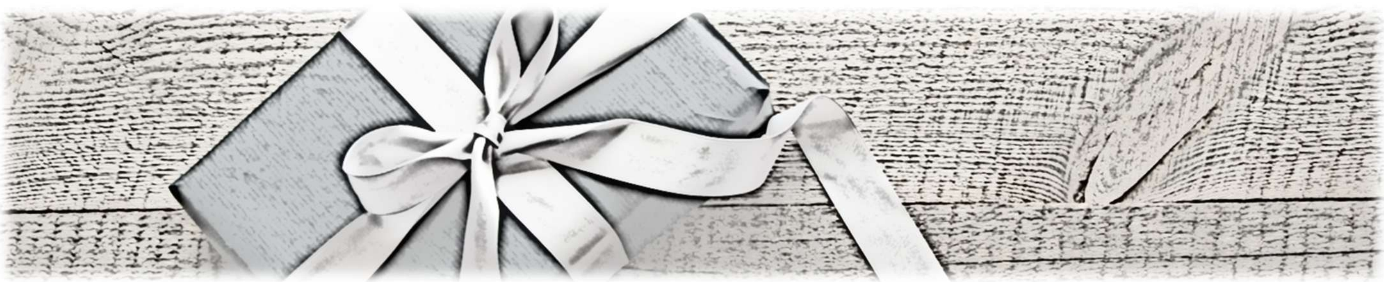
EXAMPLE

To be exempt from tax and National Insurance, each individual benefit must cost maximum **£50.** Example: the director **buys 6 gifts of £50 each** during the year, tax-free for himself as an individual and tax-deductible for the company.

TOP TIP

The trivial benefits must be **non-cash**, **unlinked to performance**, and not written in contracts.

POTENTIAL ANNUAL SAVING Up to £300 per director



5. USE THE ANNUAL STAFF PARTY EXEMPTION

Your company can normally pay for an annual staff event without creating a taxable benefit for employees or directors, provided HMRC's conditions are met.

This might include:

- Christmas parties
- Summer BBQs
- Annual dinners

The event must generally:

- **Be open to all employees** (or all employees at a location)
- Fall within the **annual cost limit** set by HMRC
- **Not exceed the exemption** once all qualifying annual events are considered together

A well-planned **staff event** can be both **enjoyable** and **tax efficient**.

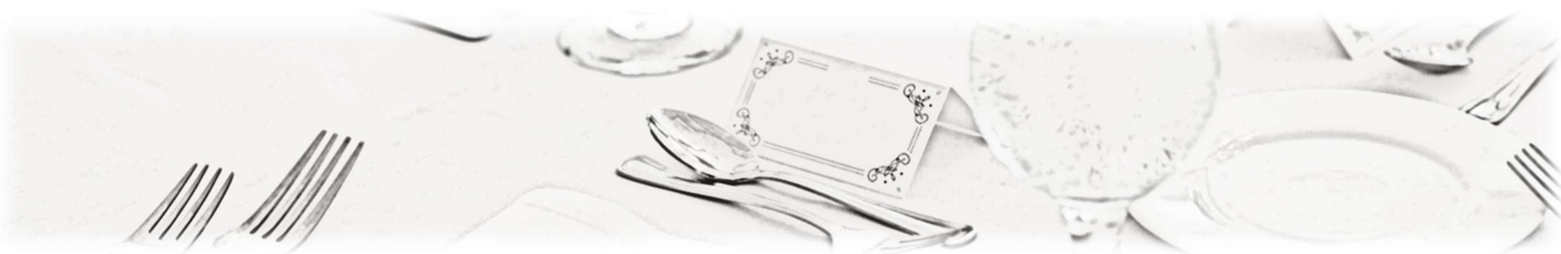
EXAMPLE

The **total cost per year per person** must be **£150 or less**, including VAT, food, drinks, transport and overnight accommodation, if applicable.

TOP TIP

If the total cost per person goes above £150 (say £151), the **entire amount becomes taxable as a benefit in kind**, not just the £1 over the limit.

POTENTIAL ANNUAL SAVING Up to £150 per person



6. LET THE COMPANY BUY YOUR MOBILE PHONE

If structured correctly, a company mobile phone can be provided **tax-free.** To avoid creating a taxable benefit, the **contract must be in the company name** and **paid for by the company**. This often represents better value than paying your personal phone bill from taxed income.

Benefits:

- The full cost of the phone and monthly bills are deductible as an allowable expense, **reducing Corporation Tax**.
- If the company is VAT registered, it can **reclaim the VAT** on the device and monthly bills, as long as the contract and invoices are issued to the company.
- There is **no personal tax liability** for the director.

EXAMPLE

If your company purchases a new mobile phone costing £1,200 + VAT for business use, it might be able to reclaim the VAT and deduct the full cost as a business expense, reducing corporation tax. This is a **simple way to equip yourself with the technology you need** while making the most out of the available tax reliefs. **Only one mobile phone** per employee can be provided tax-free.

TOP TIP

If the **contract** is in the d**irector's personal name** and the **company pays** the bill, HMRC will treat it as a **taxable benefit in kind**, subjecting it to **Class 1 National Insurance** and **P11D reporting.** Simply arranging the contract in the company's name can make all the difference.

POTENTIAL ANNUAL SAVING £200 - £1,000+

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7. BUY EQUIPMENT THROUGH THE COMPANY AND USE THE ANNUAL INVESTMENT ALLOWANCE (AIA)

If your business needs equipment, buying it through the company may produce **valuable tax relief**.

Examples include:

- **IT and office equipment** (laptops, computers, printers, scanners, etc.)
- Office **furniture** (office desks, chairs, shelving units, etc.)
- Specialist **machinery** (commercial ovens, construction tools, Vans, etc.)
- **Operational** facilities (CCTV systems, POS terminals, etc.)
- **Other assets used for business purposes**

Depending on the type of asset and current tax legislation, relief may be available through the **annual investment allowance**, full **expensing** or **first-year allowances** (where applicable).

Always consider whether the purchase is genuinely for **business use**.

EXAMPLE

The company buys IT equipment for £15,000. Entire £15,000 will be deducted from profits in the same year and reduces corporation tax immediately. VAT can also be claimed back if the company is VAT registered.

TOP TIP

Ensure the equipment is used **wholly and exclusively for business purposes** and nothing personal is mixed with business costs.

POTENTIAL ANNUAL SAVING Varies by expenditure

DID YOU KNOW?

***Newly incorporated** companies can claim **pre-trading capital expenditure** as incurred on the date trading starts.*

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8. CLAIM BUSINESS TRAVEL AND SUBSISTENCE

Many directors fail to claim all legitimate travel costs.

Business expenses can often include:

- Train fares
- Flights
- Hotels
- Taxis
- Parking
- Business meals while travelling
- Public transport

The key test is whether the journey is **wholly and exclusively for business purposes**.

Ordinary commuting between home and your permanent workplace is generally **not allowable**.

Good record keeping is essential.

Keep all receipts, invoices, travel details and **notes about the business purpose**.

EXAMPLE

The director attends an overnight business meeting, incurring the following costs: train fare £120, hotel £150, meals £60, total amount to be reimbursed tax-efficiently: £330. These costs are fully deductible for the company, reducing corporation tax while ensuring directors are not personally out of pocket for business activity.

TOP TIP

This is one of the simplest and most effective ways for directors to extract value from the company while staying fully compliant with HMRC rules. Keep all paperwork, only claim 'wholly and exclusively' business travel costs and process claims through the company's bookkeeping system.

POTENTIAL ANNUAL SAVING £100 - £5,000+

9. DON'T FORGET PROFESSIONAL FEES AND TRAINING

Many business owners personally pay for costs that the company could often meet instead.

Depending on the circumstances, your company may obtain tax relief for:

- **Accountancy** fees (bookkeeping, payroll, VAT, year-end accounts, etc.)
- **Legal** fees (solicitor fees to draft commercial leases, etc.)
- **Audit** or assurance services (audits required for loan applications, etc.)
- **Regulatory** or compliance fees (GDPR compliance or review, etc.)
- **Professional subscriptions**
- **Training** (that maintains or updates existing business skills)
- Certain industry **memberships**

However, there are important rules around training that provides entirely new skills or qualifications, so advice should be taken before committing significant expenditure.

EXAMPLE

The company pays £500 for staff to attend Excel or accounting software training. This expense is fully allowable as a business cost and directly linked to business efficiency, **reducing taxable profit** and hence wise corporation tax.

TOP TIP

Professional fees and training costs are generally **tax-deductible when they are incurred wholly and exclusively for business purposes**, helping reduce corporation tax while improving compliance, skills and operational efficiency.

POTENTIAL ANNUAL SAVING Varies by expenditure

10. CLAIM ALL OTHER ALLOWABLE BUSINESS EXPENSES

Small business expenses are **often overlooked**, but they soon **add up**. Please see below a list of other common allowable business expenses for UK limited companies:

- **Purchases** (goods, raw materials or stock acquired to be sold or used)
- **Office costs** (rent, business rates, service charges, heat and light, water rates, repairs and maintenance, office supplies, etc.)
- **Use of home** for directors that do work from home
- **Payroll expenses and labour** (salaries paid to employees or subcontractors)
- **Software and subscriptions** (accounting software, CRM systems, cloud storage, industry specific tools and apps, etc.)
- **Marketing** (website, SEO, Facebook ads, Google ads, photography, printing, etc.)
- **Insurance** (professional indemnity, public liability, employers' liability, Cyber, etc.)
- **Banking and finance charges** (interest, bank charges, etc.)
- **Motor expenses for company-owned vehicles** (fuel, repairs, road tax, etc.)
- **Communication** (business landline, broadband for business premises, VOIP. etc.)
- **Bad debts** (written-off unpaid invoices that were previously declared as income)
- **Recruitment** (job advertising fees, recruitment fees, background checks, etc.)
- **Health and safety costs** (risk assessments, safety equipment, first aid, etc.)

Please note that this list is not exhaustive, and the actual allowable expenses vary from one sector of activity to another.

FINAL THOUGHTS

Good tax planning isn't about finding loopholes. It's about **understanding the tax rules** and **making informed decisions throughout the year** rather than after the year-end.

Many directors pay more tax than necessary simply because they:

- Claim too little
- Claim incorrectly
- Miss valuable reliefs
- Leave tax planning until it's too late

Regular management accounts or tax reviews can often identify opportunities to reduce your overall tax bill while remaining fully compliant with HMRC requirements.

NEED TAX ADVICE?

Every company is different. The best tax strategy depends on factors such as:

- Your profits
- Your personal income
- Your family circumstances
- Future plans
- Pension objectives
- Investment plans

If you'd like to make sure you're not paying more tax than necessary, we'd be delighted to help.

Book a tax review today and discover how much you could legally save. During your meeting, we'll:

- Review how you currently pay yourself
- Identify reliefs you may be missing
- Highlight opportunities to reduce your Corporation Tax and personal tax liabilities
- Explain everything in plain English, without jargon

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CHARTERED CERTIFIED ACCOUNTANTS FOR AMBITIOUS BUSINESSES

A 807 Christchurch Road, Bournemouth, BH7 6AP
T 01202 028585
E info@pro-acc.co.uk
W www.pro-acc.co.uk

GETTING THE MOST FROM THIS GUIDE

This guide has been prepared to provide general information on some of the most common tax-saving opportunities available to UK limited company directors based on UK tax legislation in force at the time of publication, 28th June 2026.

While every effort has been made to ensure the information is accurate and up to date, tax legislation and HMRC guidance change regularly. The availability and value of tax reliefs will also depend on your company's circumstances, your personal tax position, and the nature of your business.

For this reason, this guide should not be relied upon as a substitute for tailored professional advice, and no action should be taken solely on the basis of the information contained within it.

Many directors are surprised to discover they are either missing legitimate tax reliefs or claiming expenses incorrectly. A review of your individual circumstances can often identify additional opportunities to reduce your tax bill while ensuring you remain fully compliant with HMRC requirements.

If you're unsure whether a particular expense is allowable or would like to explore the most tax-efficient way to run your business, we'd be delighted to help.

Book a free discovery call today and let us help you keep more of what you earn: legally, efficiently, and with complete peace of mind.

Tax planning isn't something that should happen once a year when your accounts are prepared. The greatest tax savings are usually achieved by planning ahead. That's why we work with our clients throughout the year to help them make informed decisions, minimise their tax liabilities, and keep more of their hard-earned profits.

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CHARTERED CERTIFIED ACCOUNTANTS FOR AMBITIOUS BUSINESSES

A 807 Christchurch Road, Bournemouth, BH7 6AP
T 01202 028585
E info@pro-acc.co.uk
W www.pro-acc.co.uk

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CHARTERED CERTIFIED ACCOUNTANTS

T 01202028585
E info@pro-acc.co.uk
W www.pro-acc.co.uk
A 807 Christchurch Road
Bournemouth BH7 6AP