Echo Accountants

EXTRACTING COMPANY PROFITS 2026

Everything you need to know about withdrawing profits from your limited company tax-efficiently.

Straightforward accounting.
Real people.
Clear support.
Total clarity.

01 WHAT IS EXTRACTING PROFITS?

Extracting profits is the process of taking money out of your limited company. How you do this affects how much tax you pay.

> i The key is to balance tax efficiency, compliance and your long-term financial goals

02 WHY INCORPORATION CAN BE TAX EFFICIENT

Unlike company owners, sole traders pay Income tax on all profits — whether they draw the money or not.

Company owners, on the other hand, can:

- Control how and when they extract profits
- Combine different income methods
- Optimize their personal tax position

> i This flexibility is where effective tax planning makes a real difference

03 YOUR MAIN OPTIONS FOR EXTRACTING PROFITS

Company owners, on the other hand, can:

Take a salary

Use tax-efficient benefits

Receive dividends

Charge rent for personally-owned assets used by the business

Charge interest on money you've lent to the company

> i The right mix depends on your individual circumstances.

04 TAKING A SALARY

A salary is straightforward, but it comes with:

- Income Tax under PAYE
- Employer and employee National Insurance
- Reporting and compliance duties

Because of this, many strategies use a low salary approach—enough to maintain entitlement to state benefits, while keeping tax and NIC costs down.

05 TAX-EFFICIENT BENEFITS

Some benefits can still be provided in a tax-efficient way, including:

Employer pension contributions

Pension advice

Childcare support

Cycle to work schemes

Electric vehicles

However, rules introduced in recent years mean many traditional perks are now less advantageous.

06 DIVIDENDS

Dividends are one of the most common ways to extract profits.

- Paid from after-tax company profits
- Taxed at lower rates than salary
- Flexible depending on your income level

CURRENT DIVIDEND TAX RATES (2026-27)

First £500	**0%**
Basic Rate	**10.75%**
Higher Rate	**35.75%**
Additional Rate	**39.35%** (unchanged)

i Dividends can only be paid if your company has sufficient retained profits.

07 INTEREST ON DIRECTOR LOANS

If you've lent money to your company, you can charge interest.

The Company gets Corporation Tax relief	You may benefit from the Personal Savings Allowance	No National Insurance applies

This can be a useful additional extraction method in the right circumstances.

08 CHARGING RENT FOR PERSONAL ASSETS

If your company uses assets you personally own (such as property), you can charge rent.

- Rent is deductible for the company
- No National Insurance applies
- Can be a highly tax-efficient option.

This approach is often overlooked but can be very effective where applicable.

09 WHAT'S THE MOST TAX-EFFICIENT STRATEGY?

In many cases, a low salary and higher dividend approach works.

However, the most effective strategy often involves a combination of:

Salary + Dividends + Pension Contributions + Other tailored options

There is no one-size-fits-all answer — your optimal structure depends on your income, goals and wider tax position.

10 WHAT SHOULD YOU DO NOW?

- Review how you're currently taking income
- Check your company's profit levels and reserves
- Consider whether your mix of salary and dividends is optimal
- Get professional advice before making changes

11 HOW ECHO ACCOUNTANTS CAN HELP

We go beyond basic compliance — we actively help you structure your income in the most efficient way.

- Reviewing your current profit extraction strategy
- Identifying tax-saving opportunities
- Structuring the right mix of salary, dividends, and other income
- Ensuring everything is compliant and properly documented
- Providing ongoing advice as your business grows

Our focus is simple:
help you keep more of what you earn, build your wealth and secure your future.

For guidance only. This factsheet does not constitute professional advice. We accept no liability for any loss arising from reliance on this information. Please seek advice based on your specific circumstances.

NEXT STEP

If you want to make sure you're extracting profits in the most tax-efficient way, speak to Echo Accountants today.

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BOOK A CALL

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