

# 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/National Living 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.

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 Starter Checklist (available from <https://www.gov.uk/government/publications/payee-starter-checklist>) should be prepared with the Statement A ("This is my first job since last 6 April ...") ticked. You may then pay up to the Lower Earnings Limit for employees' national insurance (£116 per week for 2018/19) 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:

- a salary between £116 and £162 per week will protect an entitlement to basic state pension and other contributory benefits without incurring an actual national insurance liability
- a salary between £162 and £892 per week is subject to employee's national insurance at 12% and employer's national insurance at 13.8%
- the income tax position depends on your spouse's personal circumstances
- the amount of salary exceeding £892 a week is subject to employee's national insurance at 2% and employer's national insurance at 13.8%, without upper limit
- employee's (but not employer's) national insurance contributions stop when the employee reaches state pension age.

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



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