

Employing your Spouse or Civil Partner

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

It is likely to show a tax saving if your spouse or civil partner has unused personal allowances or pays tax at a lower rate than you do.

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 or civil partner (and therefore affordable for your business)
- the National Minimum Wage/National Living Wage regulations are likely to apply

As well as a salary, you may be able to pay contributions to a pension arrangement for your spouse or civil partner. These should not be taxable on your spouse or civil partner 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 or civil partner 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 (£123 per week for 2024/25) 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 or civil partner, you should consider the following points:

- a salary between £123 and £242 per week will protect an entitlement to basic state pension and other contributory benefits without incurring an actual national insurance liability
- a salary between £242 and £967 per week is subject to employee's national insurance at 8%
- the income tax position depends on your spouse or civil partner's personal circumstances
- the amount of salary exceeding £967 a week is subject to employee's national insurance at 2%
- a salary of £175 or more is subject to 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.