

Florina

Florina is a director of and shareholder in Flight Hip Ltd. She earns an annual salary of £50,000 and receives a dividend of £20,000 from the company every year. She received total taxable benefits of £25,000 from the company in the tax year 2016/17. Flight Hip Ltd is not a close company.

Florina's only other income consists of dividends of £1,500 received in June every year from Landing Properties Ltd.

Landing Properties Ltd is an unquoted UK resident company, unrelated to Flight Hip Ltd.

(a) Florina and Kanzi

Florina's remuneration from Flight Hip Ltd

Calculate the total tax saving which could be achieved by Florina and Flight Hip Ltd if, in the tax year 2017/18, the company were to make a single lump sum payment of £20,000 into a personal pension fund for Florina instead of paying her a dividend of £20,000. These calculations should take account of the tax which Florina will pay when she eventually withdraws the £20,000 from the pension fund.

You should assume that:

- (1) there will be no further contributions into the fund in future years; and
- (2) Florina will be a basic rate taxpayer when she makes a withdrawal from the fund.