

How Maternity Pay Works for Directors

Paying Yourself

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If you run your own limited company and you're expecting a baby, first of all, congrats!

Maternity pay works a little differently compared to being employed by someone else, mainly because you're both the *employee* and the *employer*. The good news is you can still get paid while you're on maternity leave. But how it works depends on how you pay yourself. This guide aims to break it down simply.

What are your options?

As a director, you'll usually fall into one of two routes:

1. Statutory Maternity Pay (SMP)
Paid through your company payroll.
2. Maternity Allowance
Paid directly to you by the government (more on this in the FAQs).

Most Mighty clients aim for SMP, as it's often more beneficial if you meet the criteria.

Statutory Maternity Pay (SMP)

You can pay yourself SMP through your company if you meet a few conditions. You must:

- Be on your company's payroll
- Have been paid for at least 26 weeks before the "qualifying week" (around week 15 before the due date)
- Earn at least £129 per week on average (before tax)

For many directors, this is the key bit: if you pay yourself a typical director's salary (e.g. £12,570 per year), you'll usually qualify.

How much is SMP?

SMP is paid for up to 39 weeks:

- First 6 weeks: 90% of your average weekly earnings
- Next 33 weeks: £194.32 per week (2026/27) or 90% of earnings if lower

How much can you pay yourself?

Even if you qualify for SMP, your salary level matters:

- SMP is based on your average weekly earnings
- If your salary is low, your SMP will also be low

For example, if you pay yourself £12,570 per year (~£241/week), your SMP is based on that figure.

How your company claims it back

Here's the key point: your company can reclaim 108.5% of SMP from HMRC under Small Employers' Relief (all Mighty clients will qualify for this). We report the SMP via the monthly payroll submissions for you.

How the reclaim actually works

For larger businesses, SMP usually acts as a credit and offsets against PAYE and National Insurance liabilities through payroll. However, for most Mighty clients (where it's just you on payroll), there often isn't enough PAYE/NI to offset against so you would be waiting a very long time to utilise this credit.

So instead, we typically advise that you:

- Request a repayment from HMRC, or
- Apply for advance funding, so HMRC pays your company upfront

This can be done through your Government Gateway account.

What you need to do

So, if you are expecting a baby, here's a checklist of what to do:

1. Check you're eligible: this depends on your payroll and earnings before your due date. We can advise on this.
2. Confirm your salary level: This affects how much SMP you'll receive, so if you're paying yourself a lower salary (e.g. £5,000 per annum) then it could be worth increasing this before the relevant period, as this is when your Average Weekly Earnings are calculated.

3. Record your maternity leave (and share your MATB1): as you're both employer and employee, you still need to formally document this. You'll receive a MATB1 form from your midwife or doctor. Keep this for your records and send a copy to us so we can process SMP correctly.
4. We'll run everything through payroll: Mighty will handle the monthly submissions and report SMP to HMRC.

FAQs

Can I work during maternity leave (e.g. to keep the business ticking over)?

Yes, but there are limits. Whilst receiving SMP, you can do up to 10 "Keeping in Touch" (KIT) days without affecting your maternity pay. These are designed for occasional work, for example:

- Staying on top of admin
- Speaking to key clients
- Handling anything that can't wait

For many Mighty clients, this is useful as when you're not working, your company typically isn't earning. Do be aware that if you go over 10 KIT days, your SMP may be affected, so it's important to keep track of this. In practice, most directors use KIT days sparingly to keep things ticking over without fully returning to work.

What is Maternity Allowance?

If you don't qualify for SMP (e.g. you're not paying a salary), you may be able to claim Maternity Allowance instead. This is paid directly to you (not through your company) by HMRC. You may qualify if you've been working (employed or self-employed) for at least 26 weeks in the last 66 weeks. It's typically up to £194.32 per week for up to 39 weeks (2026/27).

Do I need a PAYE scheme to claim SMP?

Yes. SMP must be paid through payroll, so your company needs to be registered for PAYE and you need to be paying yourself a salary. If you're planning to start a family and don't have a PAYE scheme, it's worth setting this up early.

Can my company top up my maternity pay?

Yes, your company can choose to pay more than SMP via payroll, but anything extra won't be reclaimable from HMRC. You can also continue to pay yourself dividends (covered next).

Do dividends affect SMP?

No. Dividends don't count towards SMP calculations and don't increase your entitlement. However, you can still take dividends during maternity leave, as long as your company has sufficient profits available.

Does SMP cost my company money?

No, not in practice. All Mighty clients qualify for Small Employers' Relief, meaning your company can reclaim 108.5% of the SMP paid. However, you'll usually need to request this from HMRC via your Government Gateway account, either as a repayment or advance funding.

Will having a baby affect my tax planning?

Yes, and it's worth thinking about early. As well as the impact on your personal finances (babies are expensive!), there are a couple of tax planning points to keep in mind:

- Child Benefit High Income Charge: you can start to lose child benefit if you or your partner's income exceeds £60,000
- Tax-Free Childcare Hours: these are lost if your income exceeds £100,000

However, as a director you have more control over how you pay yourself, so these points can be considered when planning your remuneration.

Hopefully this article helps, but if you have any questions please reach out to your dedicated accountant or support@mightyaccounting.com.

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