

Why a Pension Contribution from your company is a great tax saver

Tax Free Investment

Your pension pot benefits because the money going into is Gross of Tax. So you have more to build on.

Eventually HMRC will want to tax you on that growth but the theory is the return on investment will be higher if tax isn't deducted first.

Pension Flexibility

It is possible to use your pension to invest in assets such as a commercial property. Then your trading company will pay rent into your pension resulting in even more tax savings.

Income Tax & NI

Pension Payments to you as a director form part of your remuneration package but are not axed as income. This means there is no additional income tax or national insurance to pay on the contribution.

Tax Free Drawdown

Tax will be paid when drawing on a pension but from the age of 55 you can draw 25% of your pot tax free.

Corporation Tax

A pension payment made from a company is an allowable expenses this means your profit is reduced by the amount paid thus reducing our Corporation Tax by between 19-25%.

You can pay up to £60,000 per director into a pension reducing your corporation tax by up to £15,000. If you haven't made a contribution in a few years you can back date this 3 years.

Certain conditions have to be met to get the relief such as the payment must be made in the year relief is claimed. The Directors Remuneration including the pension contribution must not be excessive for the work done.

Lifetime Allowance

The lifetime allowance (Currently just over £1m) is the limit on how much you can build up in pension benefits over your lifetime while still enjoying the full tax benefits.

