Sapphire
ACCOUNTING

FAQs

Pension Contributions

Can I contribute to a pension through my Limited Company?

Contributing to a pension through your UK limited company can be a great decision. If your pension contributions are paid from the company's income, this reduces the company's taxable profits, which in turn reduces the corporate tax burden.

What about individual contributions?

It is important to remember that limited companies and individuals cannot contribute to pensions in a similar way - individual contributions will come from personal funds, whereas company contributions are classed as business expenses, reducing taxable profits.

Will Corporation Tax (CT) affect pension contributions?

Corporation Tax is usually higher than individual tax, when other payroll deductions are considered (NICs, Student Loans, etc.), so although you may be paying more into the pension overall due to Corporation Tax, it could still be beneficial.

How much can I contribute?

You can contribute up to £60k per year from your company into a private pension, but if you have reserves available in the company, there is scope for using any unused allowances from the past three years too.

It should also be noted that if contributions exceed £60k in any one year, additional taxes may need to be paid on any excess payments made by either yourself or your limited company, which is why we have partnered with Capstone Financial who can support you with investments.

Abolishing the pensions lifetime allowance

The 2023 Spring Budget announced the abolition of the lifetime allowance threshold.

While the lifetime allowance remains in place for now, it will be scrapped entirely from 6 April 2024.

This measure applies to all members of registered pension schemes. It abolishes the lifetime allowance from pension tax legislation and therefore limits the total amount of tax-free cash an individual can receive.

01625 539 997

wearesapphire.co.uk
support@sapphireorg.co.uk

Bramhall House,
14 Ack Lane East, Bramhall,
Stockport, Cheshire, SK7 2BY