

Pensions

Cut company and personal taxes.

Tax planning avenues are increasingly being blocked by a government ever more desperate to maximise revenues. Against this backdrop traditional pension planning has recently been given a new lease of life as a means to reduce both personal and company taxation. By exploiting tax breaks today the net result can be financial security in the future for you and also for any staff that you employ, and the pension experts at ContractorFinancials are on hand to help you exploit all of the new freedoms associated with Pensions Simplification.

Benefits for you instead of the taxman

Given the constant challenge of running a business, Contractors will dream of early retirement. Hard graft and grief should give way to the longest holiday of your life but instead of endless days on the golf course in a foreign land many people are forced to carry on working late into life, only to then retire in relative poverty.

The hard truth is that, without the benefit of a large company retirement package and with state provision woefully poor, you will be reliant on whatever nest egg you can build up for yourself.

The good news is that there are very compelling tax planning opportunities now associated with pension investment which could enable you to slash the proportion of your corporate and personal income that goes to HMRC.

Personal Contributions - Contractors can now personally invest (i.e. direct from your private bank account) up to 100% of salary into a pension and still benefit from income tax relief at your highest marginal rate (i.e. the government could be paying £4 for every £6 that you contribute).

Company Contributions - Business Owners may choose to draw a tax efficiently low salary (to reduce help reduce National Insurance) which will limit the scope for personal investment but this need not limit your ability to reduce company and personal tax bills by making a pension contribution. Thanks to 'pensions simplification' you now have massively increased scope to invest if we get the company to fund the scheme on our behalf. 'Employer' contributions can be as much as £50k pa, representing a very tax efficient method of transferring money from company into personal hands. In good trading years a hefty corporation tax bill could potentially be reduced to nothing

Your pension can also become a central plank of your business by exploiting the freedom to own commercial property. You can hold business premises via a Self Invested Personal Pension (SIPP) with the pension in turn charging your company rent, helping to inflate the size of the pension pot even further.

Subject to minimum ages, you can now invest into the pension to cut your tax bill today, immediately withdraw 25% of the fund tax free and yet not even formally retire.

Benefits for any Employees that you may have

As the employer you may choose to make pension contributions on behalf of any staff you employ. In an increasingly competitive market for competent, qualified staff an Employee benefits package is becoming increasingly important when staff are considering an

overall offer from a prospective employer. A pension not only aids initial recruitment but can also help staff retention as it is often regarded that the Employee has a far greater stake invested with the company than simply this month's paycheque.

Company Contributions - you can contribute on behalf of your employee and this cost is treated as an allowable business expense which can help reduce corporation tax. Unlike other forms of staff incentives there will be no National Insurance cost to you or the Employee and no benefit in kind implications. Typically this will be via a group personal pension scheme

Personal Contributions - an employee can invest personally (i.e. direct from your private bank account) up to 100% of salary into a pension and benefit from income tax relief but salary sacrifice could be a far more lucrative method of investing.

Salary Sacrifice - an employee can elect to transfer part of their gross salary into a company pension scheme, avoiding not only income tax but also employees National Insurance too. In addition there is a reduction in Employers National Insurance which is due by virtue of the reduced salary and it is your decision whether to pocket this saving or pass this money that would have gone to the taxman into the Employees pension instead.

To discuss pension planning further with one of the experts at ContractorFinancials please call 0845 062 8888 or email PSG@contractorfinancials.com