A PRACTICAL GUIDE FOR COMPANY DIRECTORS

The director’s pension guide.

How to fund retirement using company profits, understand tax relief and make the right payment.

Tax year: 6 April 2026 to 5 April 2027

A practical tax handbook for limited company directors. The company can pay directly into a registered pension in your name, subject to the normal tax and pension rules.

THE IDEA IN ONE EXAMPLE

The company pays

£10,000

Total added to your pension

£10,000

No provider top-up. Employer contributions are paid gross.

With full Corporation Tax relief at 19%, the company’s net cost is **£8,100**.

Illustrative only. Deduction and allowance conditions apply. Pension money is restricted-access and withdrawals may be taxed.

The key difference from a personal payment

Company contributions normally receive relief through Corporation Tax. The payment is not grossed up by the provider like a personal relief-at-source contribution.

Open the guide →

CHECK THE RULES Employer contributions: relief and timing | Directors: commercial remuneration

START HERE

A clear route through the rules

Read the basics first. The later pages cover larger payments, unusual circumstances and practical next steps.

THREE TERMS, IN PLAIN ENGLISH

Employer contribution

A payment the company makes directly to your pension.

Corporation Tax relief

A company deduction, if allowable. Use the actual tax saving.

Annual allowance

The limit on tax-advantaged saving across your pensions, not a separate limit per scheme.

Where SBX's advice ends

Tax treatment and company payment mechanics. We do not recommend pension products, investments or transfers. Use an appropriately authorised financial adviser for regulated pension and investment advice.

CHECK THE RULES Employer contributions: relief and timing | Pension annual allowance

01 / WHY PENSIONS ARE SO TAX-EFFICIENT

The company pays. Your pension receives the money.

For many profitable owner-managed companies, an employer pension contribution is an efficient way to fund retirement.

What a qualifying employer payment achieves

Normally no immediate Income Tax or NI

Normally no Income Tax or employee/employer National Insurance on the contribution itself.

A company tax deduction, if allowable

Usually deductible for Corporation Tax if paid wholly and exclusively for the trade.

Tax-efficient investment growth

Investment growth is generally free of UK Income Tax and Capital Gains Tax inside a registered pension.

Compared with extra salary, an employer contribution can avoid employee and employer National Insurance as well as immediate Income Tax.

Example: £20,000 employer contribution

If the contribution is fully deductible and the entire deduction saves Corporation Tax at the rate shown:

Relief rate	Company tax saving
19%	£3,800
25%	£5,000
26.5% marginal band	£5,300

The pension receives **£20,000** in each case. The 26.5% example assumes the entire deduction falls within the usual marginal band.

Use the actual tax saving, not simply last year’s average rate.

Keep the wider picture in view. Annual-allowance limits, pension access, fees and later withdrawal taxes still matter. Pension funding should sit alongside salary and dividends, with personal and company cash needs considered together.

CHECK THE RULES Employer contributions: relief and timing | Directors: commercial remuneration | Marginal Relief | Pension annual allowance

01 / PENSION VERSUS SALARY

Compare the same company budget.

Use the same £10,000 total company cost before Corporation Tax for both routes, rather than comparing unlike costs.

Route	How the £10,000 is used	After-tax outcome
Employer pension	£10,000 paid directly to the registered pension	£10,000 invested; company net cost £8,100 after 19% Corporation Tax relief
Additional salary	£8,695.65 salary + £1,304.35 employer National Insurance	£5,043.48 personal cash after 40% Income Tax and 2% NI; company net cost also £8,100

Example assumptions

The full salary is taxed at **40% Income Tax** and **2% employee NI**.

Employer NI is **15%**; there is no Employment Allowance. Both costs qualify for **19% Corporation Tax relief**.

Different marginal rates, allowances and circumstances change the result.

These are not interchangeable benefits

£5,043.48 is spendable now.

£10,000 is invested for retirement and may be taxed when withdrawn.

Investments can fall in value and charges reduce returns.

SBX view. Consider employer pension funding alongside salary and dividends, not as an afterthought. The right amount depends on personal and company cash needs as well as tax relief.

CHECK THE RULES Employer contributions: relief and timing | Directors: commercial remuneration | 2026/27 payroll rates | Pension access age | Lump-sum allowance

02 / PERSONAL VS COMPANY CONTRIBUTIONS

Two ways to pay. Two different routes to relief.

You can pay into a pension personally, or the company can pay as your employer. Both routes can receive relief, but they work differently.

	Personal contribution	Company contribution
Who pays?	You personally	The company directly
Where relief arises	Income Tax relief for you, subject to eligibility	Corporation Tax deduction for the company, if allowable
Income Tax / NI	Pension relief can recover eligible Income Tax; normally not NI already paid	Normally no Income Tax or NI on the contribution itself
Main limits	Relevant earnings / age rules plus annual allowance	Annual allowance and commercial remuneration / tax-deduction rules
Practical use	Can suit personal funds and your individual tax position	Often efficient for retirement funding from company resources

Personal payments can be topped up

With a relief-at-source pension, **£80 paid personally becomes £100** after the provider claims £20 basic-rate relief. Eligible higher/additional-rate relief is claimed separately. Other workplace schemes can give relief through payroll.

Company payments are not topped up

An employer payment does not receive a second 20% top-up from the pension provider. **£10,000 from the company means £10,000 into the pension.** Use the route that fits your circumstances.

CHECK THE RULES Personal pension tax relief | Pension annual allowance | Employer contributions: relief and timing | Carry-forward rules

02 / THE EARNINGS LIMIT FOR PERSONAL PAYMENTS

A low salary can limit your personal tax relief.

The personal contribution earnings limit is separate from the employer contribution rules.

Which earnings count?

For eligible UK individuals under 75, personal contributions receiving relief are generally limited to the higher of:

£3,600 gross or 100%

of relevant UK earnings.

Salary can count. Dividends do not.

Salary and trading income can count as relevant earnings. Dividends do not increase the personal pension contribution limit.

Carry forward does not increase the relevant-earnings limit for your personal contributions.

EXAMPLE: £12,570 SALARY

You pay personally

£10,056

Provider claims basic-rate relief

+ £2,514

Gross contribution receiving relief

£12,570

Assumes £12,570 salary, no other relevant earnings and an eligible relief-at-source pension.

Company payments follow a different rule. Employer contributions are not restricted by that salary limit, but annual-allowance and company-deduction conditions still apply. The annual allowance limits tax-advantaged saving; it is not an absolute ban on paying more. Exceeding it can create a tax charge.

CHECK THE RULES Personal pension tax relief | Pension annual allowance | Employer contributions: relief and timing | Carry-forward rules

03 / ALLOWANCES, CARRY FORWARD & SIPPs

Check the allowance across all your pensions.

Before paying a significant amount, check all pension saving for the tax year, any reduced allowance and available carry forward.

STANDARD ANNUAL ALLOWANCE

£60,000

For 2026/27

This may be reduced by tapering or flexible access. Eligible unused allowance may be carried forward.

The allowance is not a separate limit for each pension scheme.

What counts towards it?

Gross personal, employer and third-party contributions, plus calculated growth in defined-benefit pensions.

Employer payments and personal tax

Normally no immediate personal Income Tax or NI on employer contributions, but an annual-allowance charge can arise.

The company deduction is a separate check

Corporation Tax relief is subject to the trade-purpose and payment rules. The actual marginal relief may differ from the company's average tax rate.

Also check	2026/27 position
Carry forward	Unused allowance from the previous three tax years, subject to conditions.
Lifetime allowance	Abolished from April 2024; separate tax-free lump-sum limits remain.

CHECK THE RULES Pension annual allowance | Flexible-access allowance | Lump-sum allowance | Employer contributions: relief and timing | Marginal Relief

03 / CARRY FORWARD & CHOOSING A PENSION

Use this year first, then the oldest unused allowance.

Carry forward can help with a larger contribution, but membership history and earlier pension saving must be checked.

2026/27	→	2023/24	→	2024/25	→	2025/26
Use this year first		Oldest unused		Then this		Then this

How carry forward works

Use the current year's available allowance first, then the oldest available prior year. You must have been a registered pension-scheme member in each year you use; you need not have paid in that year.

For 2026/27, the look-back years are **2023/24, 2024/25 and 2025/26**. Check allowances, pension growth and any amounts already used.

A reduced limit may still apply

Carry forward cannot increase the **£10,000 money purchase annual allowance (MPAA)**. See page 10 for the flexible-access and tapering rules.

What is a SIPP?

A Self-Invested Personal Pension gives you a choice of investments, depending on the provider: funds, shares, bonds or cash are common. Specialist SIPPs can hold commercial property; ordinary platform SIPPs may not.

An existing SIPP or personal pension may accept company employer payments. Confirm the provider's process, eligible payments and charges.

The pension stays in your name

The company does not own your pension. Product and investment suitability belong with a regulated adviser.

CHECK THE RULES Carry-forward rules | Pension annual allowance | Flexible-access allowance | SIPPs explained | Employer contributions: relief and timing

04 / TIMING: PLAN BEFORE YOUR YEAR END

Two calendars. Check both before you pay.

Keep the company's accounting year and your personal pension tax year, which ends on 5 April, in view.

Why the company year end matters

Employer contributions are normally deducted in the accounting period in which they are **actually paid**, not merely accrued in the accounts. Arrange payment early enough for the provider to receive and record it correctly. Large increases can be subject to special spreading rules.

An unpaid promise is not enough

An unpaid promise does not secure a deduction for the year just ended. Paying afterwards normally moves relief to the later accounting period; it is not necessarily lost altogether. A last-day bank instruction may miss the provider's processing deadline.

When can you access the pension?

The normal minimum pension age is **55**, rising to **57 from 6 April 2028**. Protected pension ages, ill-health provisions and some scheme rules can differ.

You can usually take up to **25% tax-free**, but the standard total lump-sum allowance is **£268,275 across pensions**. Protection or earlier withdrawals can change the amount available. The rest is generally taxable income when withdrawn.

When SBX reviews pensions

When	Why
Quarterly	Alongside management figures where we prepare them: review available cash and profit.
Before company year end	Plan which accounting period receives the Corporation Tax deduction.
Before 5 April	Check the personal annual allowance and carry forward that may expire.
Each April	Set a fresh plan using the new tax year's allowance and any reduced limits.

SBX view

March is not automatically too late, and 5 April is not every company's year end. Plan before **both relevant deadlines**, with the provider's payment times and your cash position in view.

CHECK THE RULES Employer contributions: relief and timing | Pension access age | Lump-sum allowance | Carry-forward rules

05 / PROPERTY, MYTHS & THE EXCEPTIONS

Some situations need an extra check.

Pension funding must suit your age, cashflow, other assets, business plans and retirement needs. There is no single answer for every director.

Can my pension buy property?

Some SIPPs and small self-administered schemes (SSASs) can buy commercial premises. A company renting premises from your pension needs commercial terms and market rent. Direct residential-property investments can trigger substantial pension tax charges.

A qualifying SSAS may also lend to a sponsoring employer, but strict limits, security, interest and repayment conditions apply. This is not an automatic right to borrow your pension back. Involve the scheme provider and regulated adviser before committing.

Pension myths

The myth	The reality
“I must retire before accessing it.”	No, but minimum access-age and scheme rules apply.
“A company payment needs a new workplace pension.”	Not necessarily: an existing pension may accept employer payments. Auto-enrolment duties are separate.
“£60,000 into a pension requires a £60,000 salary.”	Not for employer contributions; commercial and allowance rules still apply.
“Dividends always beat pensions.”	Not for every retirement-funding goal; compare tax, access and cash needs.

Tapered annual allowance

Normally applies when threshold income exceeds **£200,000** and adjusted income exceeds **£260,000**.

The £60,000 allowance falls by £1 per £2 of adjusted income above £260,000, to £10,000 at £360,000 or more. The definitions matter: employer contributions can affect adjusted income.

Money purchase annual allowance

Certain flexible taxable pension withdrawals trigger a **£10,000 money-purchase limit**. Taking only permitted tax-free cash does not usually trigger it.

Carry forward cannot increase the MPAA; defined-benefit saving has separate interaction rules.

Enacted change from 6 April 2027

For deaths from that date, most unused pension funds and pension death benefits fall within the estate for Inheritance Tax. Exceptions and exemptions remain. Do not assume all pensions stay outside IHT; review nominations and estate planning with an adviser.

CHECK THE RULES Residential-property tax charges | Pension loans to employers | Tapered annual allowance | Flexible-access allowance | April 2027 change | SIPPs explained

06 / COMMON QUESTIONS WE GET ASKED

The questions directors ask us.

Short answers below. The detailed rules are in the preceding sections.

Can the company pay into my existing pension?

Often yes. Confirm that the provider accepts employer contributions and follow its payment process.

Can the company pay monthly?

Yes. Regular employer payments can help budgeting; deduction normally follows the accounting period each is paid in.

Can I contribute after the company year end?

Yes, but normally not for a deduction in the year just ended. Check payment timing and any spreading rules.

Can my spouse receive contributions?

For genuine work, potentially yes. Review the total remuneration package and contribution against the role and relevant pension limits.

Can I still take dividends?

Yes. Pension contributions sit alongside salary and dividends, subject to cash and distributable profits.

Can I have several pensions?

Yes. The annual allowance covers combined pension saving, including defined-benefit growth; it is not a separate limit per scheme.

Can I contribute if I’m the only employee?

Yes. A director-only company can pay employer contributions; deduction and allowance conditions still apply.

Does a company payment get a 20% top-up?

No. Employer contributions are paid gross. The relief normally belongs to the company through Corporation Tax.

> **Before a large contribution**, gather contribution histories and pension-savings statements for all schemes. Include former-employer and defined-benefit schemes, not only your current SIPP.

CHECK THE RULES Employer contributions: relief and timing | Directors: commercial remuneration | Pension annual allowance | Personal pension tax relief | Carry-forward rules

07 / RECOMMENDATIONS, MISTAKES & NEXT STEPS

Plan the contribution before it is made.

Use your company tax position, pension history and cash needs together.

SBX recommendation

Review pensions in the same conversation as salary and dividends, director-loan balances, company cashflow, electric vehicles and relevant life cover. A change in one area can change the best answer in another.

Common mistakes

1. Leaving payment until after the relevant company year end or provider deadline.
2. Forgetting unused carry forward, or overlooking an allowance already used elsewhere.
3. Assuming personal contributions and company contributions receive identical relief.
4. Ignoring tapering or earlier flexible pension access.
5. Comparing pension and salary costs on different tax bases.
6. Locking away cash needed personally or by the business.

Speak to SBX before…

A large one-off contribution; funding a pension when income is around or above £200,000; paying after flexible pension access; contributing for a spouse or family member; buying commercial property through a pension; or making a payment close to year end / 5 April.

SBX Chartered Accountants

info@sbxaccountants.com

020 7046 1730

sbxaccountants.com

Contact our office or your account manager for advice specific to your situation.

Scope and disclaimer. SBX deals with tax treatment, company payment mechanics and how the payment fits remuneration planning. We do not recommend a pension product, fund, transfer or investment strategy. Use an appropriately authorised financial adviser for personal financial recommendations. Investments can fall, fees reduce returns and access is restricted. Tax treatment depends on your circumstances and can change.

CHECK THE RULES Pension annual allowance | Employer contributions: relief and timing | Pension access age | Lump-sum allowance | April 2027 change

REFERENCE / READ MORE

Sources & important notes

Source titles throughout the guide are clickable. Key guidance and technical sources are grouped below.

Company contributions and tax

Employer contributions: relief and timing

Directors: commercial remuneration

2026/27 payroll rates

Marginal Relief

Access and investment choices

Pension access age

Lump-sum allowance

SIPPs explained

Personal relief and pension limits

Personal pension tax relief

Pension annual allowance

Carry-forward rules

Tapered annual allowance

Flexible-access allowance

Property and future rules

Residential-property tax charges

Pension loans to employers

April 2027 change

Dates and scope. Reviewed 19 September 2026 for 2026/27. This guide gives general information on UK pension-tax and company-payment rules, not personal tax or regulated financial advice. It retains the seven-part structure and technical content of the supplied director guide in a landscape format.

Risk and advice. Investment values can fall, fees reduce returns and access is restricted. Tax treatment depends on your circumstances and can change. Future changes are shown with their effective dates. SBX does not recommend a pension product, fund or transfer. Obtain individual tax advice and, where needed, advice from an appropriately authorised financial adviser.