A PRACTICAL GUIDE FOR THE SELF-EMPLOYED

The sole trader’s pension guide.

How your payments are topped up,
what tax relief you can claim,
and what to put in your records.

Tax year: 6 April 2026 to 5 April 2027

For UK-resident sole traders paying into a registered personal pension that uses **relief at source**. That is the usual top-up method for personal pensions and SIPPs.

THE IDEA IN ONE EXAMPLE

You pay

£800

HMRC adds through your pension provider

+ £200

Total added to your pension

£1,000

This is **tax relief**, not investment growth. Eligibility and contribution limits apply.

The top-up may arrive later. Investments can fall in value and charges reduce returns.

The key difference from a company director

Your own pension payment is personal. It is not a deductible business expense and does not reduce your Class 4 National Insurance.

Open the guide →

CHECK THE RULES Personal pension tax relief | Personal pensions and Class 4 NI

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

Net contribution

The cash you actually pay.

Gross contribution

Your payment plus the provider's basic-rate tax top-up.

Pension pot

The money and investments held in your pension. Its value can go up or down.

What SBX helps with

Tax treatment, contribution-limit checks and the tax return. Pension products, investments and transfers need separate consideration; use an appropriately authorised financial adviser for personal recommendations.

CHECK THE RULES How relief at source works | SIPPs explained (MoneyHelper)

01 / WHY PENSIONS CAN BE TAX-EFFICIENT

You pay 80%. HMRC adds the other 20%.

For an eligible relief-at-source payment, your provider claims basic-rate tax relief and adds it to your pension.

YOUR NET PAYMENT

£80

Leaves your bank account

+

PROVIDER CLAIMS FROM HMRC

£20

Added as basic-rate tax relief

=

YOUR GROSS CONTRIBUTION

£100

Added to your pension in total

What does “grossing up” mean?

It means working out the total **including** the tax top-up. The 20% is a percentage of that total, not of the cash you paid.

Gross contribution = your payment ÷ 0.8

Or multiply your payment by 1.25.

So £1,000 paid from your bank becomes £1,250, not £1,200.

Everyday examples

You pay	HMRC adds	Total
£80	£20	**£100**
£400	£100	**£500**
£8,000	£2,000	**£10,000**

Twelve monthly payments of £400 would mean £4,800 from you and £1,200 of basic-rate relief: £6,000 gross.

Two separate benefits. The contribution can receive tax relief, and investment income and gains are generally free of UK Income Tax and Capital Gains Tax inside the pension. Neither guarantees growth. Allowances, charges, access restrictions and tax on withdrawals still matter.

CHECK THE RULES How relief at source works | Pension investments and tax | Eligibility, age and earnings limits

01 / CLAIMING MORE THAN THE BASIC TOP-UP

Pay tax above 20%? There may be more relief.

The provider usually adds only the basic 20%. Any eligible extra relief is claimed separately through your tax return.

Same pension contribution in every row: you pay £8,000 + provider claims £2,000 = **£10,000 gross.**

England, Wales and Northern Ireland

Tax rate applying to the whole contribution in this example	Extra relief through Self Assessment	Your effective cost after all contribution relief	Added to your pension
20% basic rate	£0	**£8,000**	£10,000
40% higher rate	£2,000	**£6,000**	£10,000
45% additional rate	£2,500	**£5,500**	£10,000

Where does the extra relief go?

It reduces your Income Tax bill or may produce a refund. It is **not automatically paid into your pension**. You need £8,000 upfront for this example.

Not every pound gets your highest rate

If only £5,000 of your income is taxed at 40%, a £10,000 gross payment gives £1,000 extra higher-rate relief: 20% × £5,000. The provider's £2,000 top-up is separate.

Example assumptions: sufficient earnings and annual allowance; each table row qualifies fully at its stated rate. No personal-allowance or benefit-charge effects. The partial-rate example assumes ordinary earned income and no other adjustments. No National Insurance saving. Pension money is restricted-access and withdrawals may be taxed later.

CHECK THE RULES Personal pension tax relief | Tax relief explained (MoneyHelper) | Income Tax rates and allowances

01 / SCOTLAND & OTHER PERSONAL TAX EFFECTS

Your tax position matters, not just your payment.

The top-up method is the same across the UK. Additional relief depends on the rates and rules that apply to you.

Scottish taxpayers

For each £100 gross contribution below, you pay £80 and the provider claims £20. Extra relief is available only on the part eligible at the relevant Scottish rate.

Scottish rate	Extra relief per £100 gross	Effective cost
19% or 20%	£0	£80
21%	£1	£79
42%	£22	£58
45%	£25	£55
48%	£28	£52

At the 19% starter rate, the provider still claims 20%; you do not repay the 1% difference. These costs exclude other allowance or benefit effects.

A second calculation: adjusted net income

This income figure is used for certain personal tax rules. Qualifying relief-at-source payments normally reduce it by the gross amount.

£8,000 paid → £10,000 gross
£10,000 reduction in adjusted net income

That does not mean your trading profit or Class 4 National Insurance falls by £10,000.

Why that can matter

It may help restore the Personal Allowance, which starts reducing above £100,000 of adjusted net income.

It may reduce the High Income Child Benefit Charge: this starts above £60,000 and reaches a full charge at £80,000. Your partner’s income also matters.

Ask SBX to calculate the combined result rather than adding headline relief percentages.

CHECK THE RULES Personal pension tax relief | Adjusted net income | High Income Child Benefit Charge | Personal pensions and Class 4 NI

02 / PERSONAL PAYMENTS, NOT BUSINESS COSTS

Use the right place in your books and tax return.

As a sole trader, you and your business are the same legal person. Your own pension payment is a personal contribution.

1 In your business records

You may pay from your personal account or your sole-trader business account, subject to the provider's payment rules. The account used does not change the tax treatment.

Paid £8,000 from your business bank?

Record the **£8,000 as owner's drawings / a personal payment**, not as a business pension expense.

The provider's £2,000 top-up stays in your personal pension. It is not business income.

No deduction from your trading profit. If your taxable trading profit was £60,000 before the payment, it remains £60,000. Relief is dealt with personally, and your own pension payment does not reduce Class 4 National Insurance.

2 In your Self Assessment return

The relief-at-source pension section uses the gross contribution: your payment plus basic-rate relief.

Contribution breakdown	Amount
Cash you paid	£8,000
Basic-rate tax relief	£2,000
Gross figure for the return	£10,000

Send SBX your provider's tax-year contribution statement. We use the gross amount to calculate any further relief due.

Avoid double counting: do not gross up a figure already labelled "gross"; do not add higher-rate relief to it; and do not claim again for employer payments or contributions already relieved through a workplace net-pay arrangement.

Different rule: contributions for genuine employees can be business staff costs. That does not turn your own sole-trader pension into an employer contribution.

CHECK THE RULES Self Assessment pension entries | Personal pensions and Class 4 NI | Sole-trader payments (Royal London) | Staff costs versus your own payments

03 / ALLOWANCES, CARRY FORWARD & SIPPs

There are two limits to check, not one.

Both use gross amounts. A provider accepting a payment does not prove that it is within your tax limits.

A Your earnings limit

This limits the personal contributions that can receive tax relief.

For an eligible UK individual under 75, it is normally the higher of:

£3,600 gross or 100%

of your relevant UK earnings for the tax year.

Use **taxable trading profit**, not turnover or drawings. Do not subtract your Personal Allowance first. Qualifying employment earnings can count too.

Ordinary rental income, dividends, pension income and capital gains do not count as relevant earnings.

B Your annual allowance

This limits tax-advantaged pension saving across all your pensions. The standard amount for 2026/27 is:

£60,000 gross

Count gross personal, employer and third-party payments, plus the calculated growth in final-salary or similar defined-benefit pensions.

Investment growth in a personal pension pot does not itself use this allowance. A reduced allowance may apply; eligible unused allowance may be carried forward.

Example: £30,000 taxable trading profit

With no other relevant earnings or pension payments, the earnings limit is £30,000 gross: £24,000 from you + £6,000 relief. A £60,000 annual allowance does not override it.

Example: no earnings, or very low earnings

An eligible person under 75 can normally pay £2,880 net + £720 relief = £3,600 gross into a relief-at-source pension, even without an Income Tax bill.

Important: the annual allowance is not an absolute ban on paying more. Exceeding it can create a tax charge. Excess personal relief above your earnings-based limit can also need correcting. Ask SBX before a large payment.

CHECK THE RULES Eligibility, age and earnings limits | The pension annual allowance | Tax relief explained (MoneyHelper)

03 / LARGER PAYMENTS & CHOOSING A PENSION

Carry forward creates allowance, not extra earnings.

It can help with a larger contribution, but only after checking the limits and pension history.

Which years can you use in 2026/27?

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

You must have been a member of a registered pension scheme in each earlier year used, even if you paid nothing in that year.

Check the allowance available in each year, all pension saving and any carry forward already used. Unused 2023/24 allowance normally expires after 5 April 2027.

Example: a larger one-off payment

Assume £100,000 of current-year relevant earnings, no other current pension saving, the full £60,000 allowance and £20,000 of valid unused prior-year allowance.

£64,000 from you + £16,000 top-up
= £80,000 gross can fit those two limits.

The same £80,000 would not all qualify for personal relief if current relevant earnings were only £30,000.

What is a SIPP?

A Self-Invested Personal Pension is a type of personal pension. Depending on the provider, you choose from investments such as funds, shares, bonds or cash.

A SIPP does not give a separate tax allowance or a better basic top-up than another eligible personal pension. Charges, investment choices and the level of help vary.

You may be able to use an existing pension rather than open another. Check that it accepts your personal payments and uses relief at source.

Not permission to backdate a payment. Carry forward uses unused annual allowance in the year you pay. It does not let a new contribution reduce last year's Income Tax or use last year's earnings limit.

Use an appropriately authorised financial adviser for pension selection, investments and transfer advice. SBX checks the tax position.

CHECK THE RULES Using unused annual allowances | Carry forward (MoneyHelper) | SIPPs explained (MoneyHelper) | Eligibility, age and earnings limits

04 / TIMING & ACCESS TO YOUR MONEY

5 April is the payment deadline, not the filing deadline.

Personal pension relief follows the tax year in which the contribution is made, not your bookkeeping year end.

For relief in 2026/27

PAY WITHIN THIS TAX YEAR

6 April 2026 → 5 April 2027

Allow time for the provider to receive and record the payment. Check its cut-off dates and do not rely on a last-minute bank instruction.

A payment made on 6 April 2027 belongs to 2027/28. It cannot be moved back just because the earlier tax return is still unfinished.

Your tax return comes later

The normal online filing deadline for the 2026/27 return is **31 January 2028**. That does not extend the 5 April 2027 pension-payment deadline.

Likewise, a new payment in 2026/27 does not reduce your 2025/26 tax bill, due in January 2027.

When can you take the money out?

55 → 57

Normal minimum age now — From 6 April 2028

Protected pension ages, ill-health rules and scheme terms can differ. You do not normally need to stop working to access a pension once the applicable rules allow it.

You can usually take up to **25% tax-free**, subject to your remaining lump-sum allowance. The standard total allowance is **£268,275 across pensions**; protections and earlier withdrawals can change this.

The rest is generally taxable income when withdrawn. Taking taxable money flexibly can also reduce the allowance for future contributions.

Keep accessible savings too. Do not put tax reserves, emergency funds or cash needed to run the business into a pension you cannot yet access.

CHECK THE RULES Eligibility, age and earnings limits | Self Assessment deadlines | Minimum pension access age | Tax-free lump-sum allowance | Flexible access and the MPAA

05 / PROPERTY, MYTHS & THE EXCEPTIONS

Four situations that need an extra check.

Most routine payments are simpler than these cases. Tell SBX before paying if any of these apply.

A £10,000 limit may apply

ALREADY TAKEN PENSION MONEY?

Certain flexible taxable withdrawals trigger the money purchase annual allowance (MPAA): a £10,000 gross limit on relevant pension-pot contributions, including personal pensions and SIPPs.

Taking only permitted tax-free cash does not usually trigger it. Carry forward cannot increase the MPAA. Defined-benefit pensions have separate interaction rules.

Specialist advice is essential

BUYING PROPERTY THROUGH A PENSION?

Some specialist SIPPs can hold commercial premises. Any letting to you or your business needs proper commercial terms.

Direct residential-property investments can cause substantial pension tax charges. Do not assume your home or a buy-to-let can be placed in your pension.

Your allowance may be tapered

VERY HIGH INCOME?

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

The £60,000 allowance falls by £1 per £2 above the adjusted-income threshold, to a £10,000 minimum. These income measures are not simply turnover or take-home pay.

Pensions and inheritance tax

ENACTED CHANGE FROM 6 APRIL 2027

For deaths from that date, most unused pension funds and pension death benefits will be included in the estate for Inheritance Tax.

Exclusions and exemptions remain. Do not assume your pension will always sit outside your estate; review nominations and estate planning with an adviser.

Also ask first: you are near age 75, have overseas income or residence, pension protections, or a scheme using a different relief method.

CHECK THE RULES Flexible access and the MPAA | The tapered annual allowance | Residential property in a pension | Pension investments and tax | Enacted pension IHT change: April 2027

06 / COMMON QUESTIONS

The questions sole traders ask us.

These answers concern your own pension. Contributions for employees are a separate business matter.

Can I pay monthly or change the amount?

Usually yes, subject to your provider's terms. Review the annual total as profits change, and keep money aside for tax and everyday costs.

Do I need a limited company?

No. An eligible sole trader can receive personal pension tax relief. You cannot "salary sacrifice" your own trading profits as though you were your own employee.

What if I do not pay Income Tax?

Basic-rate relief may still be available within your earnings or the £3,600 gross no/low-earnings limit. See page 7. Paying no Income Tax does not automatically mean no top-up.

Can I keep a pension from an old job?

Yes. Check whether it accepts new payments and how relief is given. Do not transfer a pension simply to simplify the paperwork without checking benefits, charges and advice needs.

Can I have several pensions?

Yes, but the limits apply across them. Include any pension through another job and ask for pension-savings information for a defined-benefit scheme.

Does this replace my State Pension?

No. Your personal pension is separate. State Pension entitlement depends on your National Insurance record; check your forecast and any gaps separately.

Can I pay into my partner's pension?

Potentially. The contribution is tested against their eligibility, earnings and pension limits. It does not become your own personal pension tax-relief claim.

What about an NHS or older pension?

Do not assume an automatic 20% top-up. Some schemes use a different relief method. Send SBX the statement so we claim the correct amount in the correct place.

CHECK THE RULES Self-employed pensions (MoneyHelper) | Eligibility, age and earnings limits | Personal pension tax relief | The pension annual allowance | Check your State Pension forecast

07 / MISTAKES TO AVOID & NEXT STEPS

A simple plan before you pay.

Start with an affordable payment and the right tax information, not with the largest headline allowance.

1 Protect your cash first

Keep tax reserves, emergency savings and business working cash accessible.

2 Check the pension and your limits

Confirm the relief method, earnings estimate, other pension saving and any reduced allowance.

3 Choose the net payment

For a £10,000 gross contribution under relief at source, you normally pay **£8,000, not £10,000**.

4 Pay in time and keep evidence

Use the provider's process and leave time before 5 April. Record any business-bank payment as drawings.

5 Send the statement to SBX

We use it to check the gross entry and any further relief through Self Assessment.

What to send us

Your tax-year contribution statement: payment dates, your payments and basic-rate top-ups.

Other pensions: employer payments and any defined-benefit pension-savings statements.

For larger payments: three prior years' pension records, current income estimates and any flexible-access or allowance notices.

Avoid: booking your pension as a business expense; adding only 20% to the net payment; missing extra relief; treating £60,000 as everyone's personal limit; or paying too late.

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Our scope: general tax guidance and, when engaged, individual tax calculations and filing. We do not recommend a pension product, investment fund or transfer. Use an appropriately authorised financial adviser for personal financial recommendations.

CHECK THE RULES How relief at source works | Eligibility, age and earnings limits | Using unused annual allowances | Self Assessment pension entries

REFERENCE / READ MORE

Sources & important notes

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

Understanding the top-up

How relief at source works

Personal pension tax relief

Tax relief explained (MoneyHelper)

Self-employed pensions (MoneyHelper)

Your records and personal tax

Self Assessment pension entries

Personal pensions and Class 4 NI

Sole-trader payments (Royal London)

Staff costs versus your own payments

Adjusted net income

High Income Child Benefit Charge

Limits and larger contributions

Eligibility, age and earnings limits

The pension annual allowance

Using unused annual allowances

The tapered annual allowance

Flexible access and the MPAA

Access, investments and future rules

Minimum pension access age

Tax-free lump-sum allowance

SIPPs explained (MoneyHelper)

Pension investments and tax

Residential property in a pension

Enacted pension IHT change: April 2027

Check your State Pension forecast

Basis of this guide. A companion to the SBX Director Pension Guide 2026/27, retaining its seven-part structure. The company-payment sections have been replaced with separately checked sole-trader guidance. Other relief methods and non-UK circumstances need individual review.

Dates and scope. Reviewed 19 September 2026 for 2026/27. The linked SA150 notes support the gross-entry method but are 2025/26, not 2026/27, forms. Check individual circumstances and provider terms before paying.

Risk and advice. Tax rules can change. Investments can fall, charges reduce returns and access is restricted. This is general information, not individual tax or regulated financial advice. SBX does not recommend pension products, funds or transfers.