

# How to maximise pension contribution?

Can the annual contribution limit really restrict further pension savings being made? Read to see how business proprietors can be supported.

## Annual Allowance (AA)

The annual pension allowance is the maximum contribution a taxpayer can make in their life time, IF they want to maximise their tax relief available on it.

## Net relevant earnings (NRE)

Pension contribution made to a registered pension scheme are limited to your NRE. The NRE is the total taxable earnings comprised of different elements.

## In practise...

Taxpayer: John Smith

Business name: JS Ltd.

John would like to maximise tax and NI efficiency and would, so he only takes a salary of £8,500.00.

John takes further monies from the business via dividends. John can only contribute a maximum £8,500.00 into a registered pensions scheme.

## What does this mean...?

Out of the £40,000.00 annual pensions allowance John is only contributing £8,500.00. This means the lower salary will prevent John from building a pension pot.

## Solution

There are two methods John can opt for here.

Before you opt for any option there are several different points which need to be

checked. It is essential individuals and businesses contact an accountant like **Anantam Accountancy** who can help assess the right method for you and your business.

In addition to that, there are further tax implication for the company which again need to be discussed.

## Pension Contribution

Businesses can opt to run more than one option so the decision can be very complex and require careful planning. Contact **Anantam Accountancy** today.

An impact to one proprietor can be different to another especially if the NRE need to be calculated.

You may also need to consider the impact of withdrawing the pension value and the need to be aware of the pros and cons of withdrawing funds early.

**Anantam Accountancy** can do some tax planning with you to make sure you have a map of your finances and where what will come from to facilitate your lifestyle in the future.

Not only that but **Anantam Accountancy** can give you a thorough understand of the tax implication on different monies you may have today and in the future.

Don't wait to understand about your money and your tax implications in the future.