

### Saving tax through a company year end pension contribution

#### Key benefits

- Extract cash from your company
- Reduce your company's tax bill
- Increase your personal net worth
- Grow your net worth tax free

#### Who does this apply to

Business owners who operate through a company structure, are keen to reduce their tax liability and efficiently increase their personal net worth.

#### Deadline

Contributions to occupational pensions are a deductible expense of your business and must be made within the accounting period. In the case of companies whose year end coincides with the calendar year this is **31st December**.

#### Key tax savings - company

Pension contributions made from your company are a deductible expense of your business and will therefore reduce profits and your corporation tax liability.

#### Key tax savings - personal

- Contributions are made from pre-tax funds and hence money is passed from your business to your beneficial ownership without a charge of income tax arising.
- Income accruing to investments made in your pension is exempt from tax
- Gains made on investments held in your pension are exempt from tax
- On retirement, a portion of your pension can be taken as a tax free lump sum. Typically this is 25% of the pension's value though in particular circumstances this can be up to 100%

## How much can you contribute

Traditionally the maximum that could be contributed to a pension scheme was determined primarily by your salary and length of service in the business. Recent rule changes in respect of PRSA's allow for **unlimited** funding. However, these rules expire on December 31st meaning that anyone who has a large cash balance in their business that they wish to extract must act now.

In practical terms, a calculation is generally made as to how much profit the business is expected to make and this value or a portion thereof is swept into the business owners pension. Alternatively, if there is a larger accumulated balance in the company, this may be swept into the pension and a loss generated with the company's balance sheet adjusted accordingly.

## Limits

There is no upper limit to what you can contribute to your pension outside of that created by the Standard Fund Threshold. This is the practical upper limit to an individual's pension. The maximum figure for someone retiring today is €2.15m, this is set to increase in stages in the coming years to €2.95m.

## Contributing to a pension

The optimal pension structure for your benefits will depend on your individual circumstances. Setting up a scheme can be done swiftly with documentation signed digitally. Funds must also be transferred by company year end.

## Compliance

Pensions are subject to myriad rules. We provide expert guidance ensuring everything is done correctly.

“At SMP Financial, we have been helping clients plan for their future since 2006. We believe that planning today produces better outcomes tomorrow. “



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## Notice

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