



Lloyd's Financial Q&A Column

Grantham-based tax and accountancy specialist Lloyd Stubbs gives advice on financial matters to small businesses

What does relief at source mean on pension contributions?

Q: My employer has enrolled me into a pension scheme. When I looked through the paperwork, it said I could get tax relief on the pension contributions I make via relief at source. What does this mean?

A: When paying into a pension scheme, there are essentially two ways you could receive your tax relief; through relief at source or via a net pay arrangement. Relief at source means if you're a basic rate taxpayer, you don't need to do anything to get the tax relief paid into your pension. It will happen automatically. Your employer will take your pension contribution from your salary after you have paid income tax and employee's national insurance contributions. The pension provider then adds basic rate tax relief to your pension pot. If you are a higher or additional rate taxpayer you can claim the additional relief up to your actual tax rate back via your self-assessment tax return.

How much is company tax?

Q: I run my business as a limited company, how much is the corporation tax rate and how do I calculate my tax bill?

A: Corporation tax is the tax paid by companies on their profits. Directors pay income tax and national insurance on their salary and bonus, and shareholders pay income tax on any dividends received.

The current corporation tax rates depend on your company profits and are:

Profit banding

Under £50,000

Over £250,000

Between £50,000 and £250,000

Corporation Tax rate

19% small profits rate

25% main tax rate

25% main tax rate less marginal relief

When calculating your profits for tax, this isn't as simple as looking at your company accounts.

Taxable profits are company turnover, less expenses and after considering corporation tax reliefs, including capital allowances. Chargeable gains are also subject to corporation tax.

Your corporation tax bill is due nine months and one day after your company year end. For example, a company with a year-end of 31st March must pay corporation tax by 1st January.

If your taxable profits exceed £1.5 million, you'll need to pay your corporation tax in instalments.

Lloyd Stubbs specialises in managing tax and accountancy affairs for small business owners and can be contacted by phone or email

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