

# What do I need to know, as an employer, about one-off pension contributions?

## How to make one-off payments

**Option one – As a one-off employer contribution through your normal payroll file upload process.**

- Paid through the same payroll process as regular pension contributions.
- Need to give your payroll team / service provider plenty of advance notice, particularly if the one-off contribution you wish to pay is a large amount.
- Don't leave things to the last minute before the end of your accounting period. **Ideally contact your payroll department / service provider, or the Smart Pension administration team, at least two months before the end of your accounting period.**
- You need to make sure that the amount you wish to pay as a one-off contribution is allowed as a business expense for Corporation Tax relief purposes. Once it is in the scheme, it cannot be refunded to you.
- If the amount of the one-off contribution is £250,000 or more, you will not be able to make the payment through the usual payroll file upload process. You will therefore need to use the alternative BACS process payment option below.

**Option two – As a one-off employer contribution through the BACS process from your business bank account.**

- You will need to contact the Smart Pension administration team to confirm your intentions for the one-off payment you wish to make (see contact details at the end of this article).
- They will send out an application pack for both you and your employee to complete.
- As part of processing the application, we will carry out due diligence checks and confirm if we can accept the payment you intend to make.
- If the due diligence checks are satisfactory then we will send you the reference details for you to make the one-off contribution payment via the BACS process.

- You need to be absolutely sure that the amount you wish to pay as a one-off contribution is allowable as a business expense for Corporation Tax relief purposes, as once it is in the scheme it cannot normally be refunded to you.
- Don't leave things to the last minute before the end of your accounting period. Start planning well before and (depending on how you wish to pay the one-off contribution) ideally contact your payroll department/service provider, or the Smart Pension administration team, at least two months before the end of your accounting period about your intention to make a one-off payment.

**Important information for one-off contributions to be paid after the end of February in each tax year:**

- To help with their planning and tax position, you will need to check with your employee about which tax year the one-off contribution should count against.

Please note, if this one-off contribution is not paid into the scheme by **5 April**, this **will not** count against the member's annual allowance position until the next tax year.

- If you have not made the one-off contribution for a member by the beginning of March during the tax year, then we recommend that you use payment Option two (above), to minimise the risk of missing the tax year end deadline (5 April).
- If you use payment Option one (above), and you try to make the one-off contribution through your normal payroll process, then you will have missed the 5 April deadline. This is due to the money normally not being collected and paid into the scheme until the 7th of the following month.
  - If you are still unsure about how and when to make the payment, then speak to our Smart Pension employer support team on 0333 666 2323.

## Conditions to meet before the lump sum contribution is paid

We will only accept a one-off pension contribution if it meets the following conditions.

### **1. It is your responsibility to check that the one-off contribution you intend to pay will comply with all the tax allowances and rules for the payment to qualify for tax relief**

This is particularly important if you are going to use the Option one payroll payment method mentioned above.

### **2. If using the Option two payment method and the amount of the contribution is £10,000 or more, you'll need to provide evidence of the calculation of the single contribution amount**

You and/or your financial adviser (or other professional adviser) will need to calculate the amount of the one-off contribution and confirm that it is allowed within the annual allowance rules in the application form.

We'll need to see a copy of the calculation confirming how you have determined the amount of the single contribution. You must provide this evidence with the completed application form. Otherwise, we will not be able to process your lump sum payment.

### **We will also need you to confirm the source of the money**

We'll need to check that the source of the lump sum contribution is legitimate to comply with Anti-Money Laundering and Financial Crime regulations. You must provide the relevant details on the application form we will send you.

### **3. If the amount of the one-off contribution is £250,000 or more**

You will not be able to make the payment through the usual payroll file upload process (option one outlined above) and must make the payment through the BACS process from your business bank account (option two outlined above).

## If you need impartial guidance or advice to make decisions

If you need any specific advice about the contribution allowances and rules, and how much you can, or should, contribute, you should speak to your usual tax adviser. Alternatively, you can contact a financial adviser. If you don't have one you can find one using the [Find a retirement adviser](#) guidance on the MoneyHelper service website.

## The limits on payments into a registered pension scheme

If this is to be paid into the scheme as an employer one-off contribution, then in theory, there is no limit to the amount that can be paid into the scheme.

However, the amount of the one-off contribution does count towards the member's annual allowance. It is therefore important, in order to avoid a tax charge on the member, that the payment complies with the rules around:

- [The annual allowance](#)
- [The tapered annual allowance](#)
- [The carry forward rules](#)
- [The money purchase annual allowance](#)
- [The lifetime annual allowance](#)

To be an allowable deduction against trading profits, pension contributions have to be made wholly and exclusively for the purposes of the business. In practice, contributions are normally allowed as a deduction against trading profits of the company for Corporation Tax purposes, subject to them being at a reasonable level for the individual concerned relative to the role they perform in the business.

Also, depending on the amount of the one-off contribution, and the history of employer payments over recent accounting periods, it may be necessary to spread the tax relief on an employer contribution to a registered pension scheme. This is a complex area and you should consult your usual tax adviser.

[The HMRC Pensions Tax Manual](#) provides detailed information about the above topic. **It's crucial to get all of this right and so we recommend that you speak to your usual tax adviser and/or a financial adviser before making any payments.**

## Important to note

The aim of this article is to give information about one-off contributions. It doesn't give financial advice or any specific recommendations to you as an employer participating in the scheme.