

Unauthorised Payments Flowchart where payment is less than 25% of fund

Unauthorised payments occur where a payment has been made to a member that is not on the authorised payments list. Authorised payments are items such as lump sums and pension payments to the member or loanbacks to employers (SSAS schemes only).

Unauthorised Payments Charge – 40% on the value of the payment

Plus

Unauthorised Payments Surcharge – 15% on the value of the payment

This is payable where the Surcharge threshold is reached (ie when the unauthorised payment is 25% or more of the member's overall fund).

Plus

**Scheme Sanction Charge- 40% on the value of the payment
or 15% if the unauthorised payment charge has been paid**

For example:

Client has a fund of £150,000 and received unauthorised payment from his scheme of £30,000 (eg as a refund of contributions even though client's earnings supported the total contribution).

$$£30,000 \times 40\% = \text{£12,000}$$

Unauthorised Payments Charge

+

Unauthorised payment less than 25% of member's fund value therefore Unauthorised Payment Surcharge = **£0**

Unauthorised Payments Surcharge

+

$$£30,000 \times 15\% = \text{£4,500}$$

Scheme Sanction Charge

$$£12,000 + £4,500 = \text{£16,500}$$

Total tax chargeable on unauthorised payment