

Focus on SIPPs

Issue 2 - February 2006

SIPP Property Purchase – Due to increasing demands to complete acquisitions of commercial property before ‘A’ day utilising gearings of up to 75%, we are naturally concerned that this tight deadline will be difficult to achieve. Accordingly, we have decided to place a cut off of 1st March 2006, whereby any property enquiries after that date will not be accommodated before ‘A’ day.

If you have any pending cases please discuss these with us as soon as possible.

Recycling Tax Free Cash – The Pre-Budget Statement introduced the “recycling rule” designed to counter any devices where the value of a pension fund could be boosted through the artificial generation of tax relief funded by the Pension Commencement Lump Sum.

The new rule applies where:

- the individual receives a pension commencement lump sum,
- because of the lump sum, the amount of contributions paid into a registered pension scheme in respect of the individual is significantly greater than it otherwise would be (a significant increase occurs where the amount of the additional contributions are more than 20% of the contributions that might have been expected).
- the additional contributions are made by the individual or by someone else, such as an employer.
- the recycling was pre-planned (pre-planning occurs at the time the lump sum is paid or when the significantly increased contribution is made).

But for the new rule to apply, the following must also apply:

- the amount of the pension commencement lump sum, taken together with any other such lump sums taken in the previous 12 month period, exceeds £15,000, and
- the cumulative amount of the additional contributions exceeds 20% of the pension commencement lump sum.

For information on these or any other aspects of SIPPs and ‘A’ day issues then please contact your consultant.