

Focus on SIPPs

Issue 3 - March 2006

With no U-turn in this year's Budget, Mr Brown has finally confirmed that an IHT charge will apply on left-over ASP funds on death. Full details of this can be found on the HM Revenue & Customs website : www.hmrc.gov.uk/budget2006.

For SIPPs much of the attention has focussed on **unquoted shares** as permitted investments post A Day. We believe that there are a number of potential issues that need to be considered before proceeding with this type of investment.

Much has been made of the motivation, practical implications and legalities in undertaking such an investment but most commonly acknowledged is the requirement for a valuation to be undertaken by a professional body. However, what is not widely understood is the basis upon which such a valuation is made.

It appears to be the view of the HMRC Shares Valuation Division that the value of such shares, which are owned by the trustees of a pension scheme, should take into account other related shareholdings in that company, owned by scheme members or their beneficiaries. Therefore, although the trustees of the pension scheme may only hold a minority share, the aggregated member shareholding may in fact be a majority holding and the trustees holding will be valued as a proportion of that majority holding. This basis of valuation will give a higher value per share to the trustees shareholding than if it were valued as a minority shareholding on it's own, where a minority discount may apply.

So for those of you with clients looking to undertake such an investment post A Day, subject to the finalised legislation, it is important to both seek professional advice as to the basis of the valuation of the shares and to consider the proposed investment in conjunction with any existing shareholding in that unquoted company by your clients in view of any possible tax charge arising from a future Benefit Crystallisation Event.

To discuss this matter or any other aspects of SIPPs post 'A Day then please contact your consultant.