

Focus on SIPPs

Issue 4 - May 2006

1). Unlisted shares – Uncertain Guidelines

Our last newsletter focussed on the importance of establishing the correct method of valuation for unquoted company shares in light of their proposed inclusion on the list of permitted investments for a SIPP under the new regime.

However, the recently published Finance Bill and the Draft Guidance that followed has only served to raise further questions over such an investment and the tax implications that could follow. As you may be aware, the confusion centres on the definition and application of the term “taxable property”, which encompasses tangible moveable property. Although the Revenue have been quick to describe the latest complication over the taxable property provision as a “drafting error” little has been released to clarify the matter, with the consensus of opinion being that we will not receive a definite answer until the summer with the passing of the Finance Act.

To discuss the issues concerning such an investment, please contact your consultant.

2). Pension Term Assurance

Although a tax rebate is available on contributions to such policies a number of issues need to be considered. The proceeds from such a policy count towards the pension lifetime allowance (SLA), which means that any claim that takes a client over the prevailing SLA will be subject to an effective tax charge of 55% on the excess.

The position, with regard to contributions and any enhanced protection that has been applied for has now been clarified. Any ongoing contributions to arrangements that were established prior to 06/04/06 will not cause enhanced protection to be lost, however, any contributions to policies established after that date will.

3). Pre ‘A’ day property deals

Finally, thanks to those who worked so closely and tirelessly with TM SIPP Services to allow us to drawdown all loans ahead of ‘A’ day on the 75% gearing formula.