

guide
to...

SETTING UP A SSAS

This issue we introduce a new series of articles providing guides to key subjects, which we hope will be of use to people new to paraplanning as well as those looking to keep up-to-date up on their knowledge.

In this article Paul Darvill, Administration and Technical director, Talbot and Muir, looks at the structure and use of a SSAS and the effective way to establish the vehicle for a business



A Small Self Administered Scheme (SSAS) is a registered pension scheme established up by an employer for a small number of employees, up to 11 in total. The SSAS is designed specifically for senior executives, directors, entrepreneurs and high net worth individuals, although membership can be extended to other employees and family members.

A SSAS enables the trustees, whose number should include all of the scheme members, to have control over

the investment selection process for the scheme. Whilst there is no list of allowable investments, HM Revenue & Customs (HMRC) will tax certain assets if held within a SSAS, such as residential property, which makes them unsuitable as an investment. Generally SSAS invest in regulated funds, stocks and shares, and commercial property.

HMRC received new powers in 2015 designed to combat pension scheme scamming. Amendments were made to the Finance Act 2004, which means that HMRC can prevent the registration of new SSAS schemes if they believe the scheme's administrator isn't 'fit and proper'. These powers also extend to de-registering a scheme if they have concerns.

These changes mean that it is essential for SSAS Trustees to use the services of a professional scheme administrator to act jointly with the member trustees to fulfil this formal role. This will help ensure that

the SSAS is registered correctly and run in accordance with the appropriate legislation.

PRACTICAL STEPS

Establishing a SSAS isn't overly complicated but does require a number of steps to be undertaken. Initially the chosen SSAS administration firm should take the following key steps:

- Prepare an application pack and the governing scheme documentation
- Establish the scheme, systems, administration and trusts
- Set up the scheme bank account
- Provide technical guidance to the member trustees where required
- Assist the member trustees in becoming scheme administrators via HMRC's online portal.

Looking at this in more detail, the practical steps are detailed below. The SSAS administrator will work with the



- Corporate Identity Verification Certificate for the principal employer for anti-money laundering purposes
- Any transfer paperwork that might be required.

Once these are received the SSAS administrator will make the necessary checks based on the above paperwork and if the Trust Deed has been returned and signed correctly, along with the relevant fees, then the scheme will be submitted to HMRC for the registration process to commence.

It can take some time for HMRC to register a scheme, typically between four to eight weeks, so it is important that the scheme is registered in good time if there is a requirement for contributions to be made prior to the end of the sponsoring employer's trading period.

Once HMRC has confirmed the SSAS has been successfully registered with them, then at that point any transfer paperwork can be sent to the ceding provider(s).

A SSAS can accept transfers from other types of registered pension schemes. In some circumstances assets may be transferred into the SSAS "in specie". This means that, for example, quoted stocks and shares, commercial property, trustee investment plans (TIPs) and insured funds could be transferred to the SSAS without the need to sell the asset. This would avoid surrender costs and the cost of reinvestment under the SSAS.

adviser to ensure the following documents are communicated to the trustees and completed where necessary:

- The trust deed
- The scheme rules
- Membership announcement letters
- SSAS bank account applications and FSCS information sheet
- Expression of wishes forms
- Administrator declarations for HMRC
- Fees and services agreement
- Schedule of fees and services.

It is at this point that the SSAS provider will also look at the potential investments the SSAS trustees wish to make, and also provide any additional paperwork such as a property questionnaire, if that is required.

The SSAS provider will also require a number of documents from the SSAS members and the company, these include:

- Certified copies of the member's ID such as passport and proof of address

ONGOING DUTIES

After the SSAS is established, the administrator should undertake the following on an annual basis:

- Provide professional trustee and joint scheme administrator services
- Reconcile all banking transactions
- Keep up to date scheme records
- Provide an annual valuation report to the member trustees
- Recover tax on investment income (where applicable)
- Prepare and submit scheme returns and event reports to HMRC where required.

Once established, A SSAS has the potential to borrow up to 50% of its net asset value, which would typically assist with commercial property purchase. There is also the potential for a SSAS to loan back funds to the sponsoring employer as long as HMRC's conditions for such loans are met.

SSASs are flexible pension arrangements that are suitable for small to medium size businesses and working with trusted advisers and a reputable SSAS provider will make this a smooth process from the outset.

WHAT GUIDES YOU WOULD LIKE TO SEE?

If you would like to see a guide on a particular subject, please let us know by emailing robkingsbury@researchinfinance.co.uk. We'll also be asking this question as part of our monthly parameters survey.

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