

SSAS Loanback case study

This document is provided for use by professional advisers in conjunction with products provided by Talbot and Muir. The information in this document is based on our interpretation of the relevant HMRC guidelines, which are subject to change.

Overview

The below guide offers an example and some guidance as to the benefits of purchasing a commercial property via a pension scheme, and further property literature can be found on our website: www.talbotmuir.co.uk

Background

John and Jane run a successful limited company and are looking to secure finance in order to further expand their business. After discussing their options with their financial adviser, they decide to explore the possibility of borrowing from their pensions by way of a loanback from a SSAS.

John has a personal pension currently valued at £200k and Jane has other pension arrangements totalling £300k.

Loanback

The adviser recommends that John and Jane establish a Talbot and Muir SSAS, transferring their existing pension arrangements across to the new scheme. They also arrange for all of the relevant paperwork, including a loanback application, to be completed and returned to Talbot and Muir.

Every SSAS is individually registered with HMRC by Talbot and Muir and the turnaround time for approval can vary. John and Jane receive confirmation that their SSAS has been registered after 5 weeks.

As soon as the SSAS is registered, transfer paperwork is sent to the ceding schemes who in turn arrange for the cash transfers to be initiated.

Working in tandem with Talbot and Muir, the adviser makes the clients aware of the following HMRC criteria that must be met when considering a loanback:

1. **Security.** The loanback must be secured throughout its term by way of a first charge over an asset that has a value at least equal to the capital advance, plus interest, payable over the term of the loan.
2. **Interest Rate.** The minimum interest that can be applied must be no less than 1% above the average clearing bank base rate for six nominated high street banks, rounded up to the nearest 0.25%.
3. **Term of Loan.** The term of the loanback must be for a fixed period of no longer than 5 years.
4. **Amount of Loan.** The amount of loan cannot be more than 50% of the net asset value of the SSAS at the time of the advance.
5. **Repayment Terms.** Loan repayments must be made in equal instalments of capital and interest for each complete year of the loan.
6. **Purpose of Loanback.** The purpose of the loan must be for bona fide business purposes, and not to enable the sponsoring employer to remain trading in the short term. A loan will not be made to a company that is insolvent. The borrower must use the loan for a business purpose to benefit the borrower's trade or profession.

7. Talbot and Muir also require a letter of comfort from the borrower's accountant confirming that, in their opinion, the company is in a financial position to be able to meet repayments. John and Jane check with their accountant who confirms they will be able to provide this.

John personally owns an unencumbered parcel of agricultural land, recently valued by a RICS qualified surveyor at £450k, which he is happy to be used as security. Talbot and Muir's panel solicitor are appointed to put in place a first legal charge on the land.

John and Jane agree to lend £200k, which is within the 50% limit, at an interest rate of 2.5%, for a term of 5 years. A loan agreement is drawn up and the solicitors begin work on putting in place the security.

Once the necessary paperwork has been prepared, and the charge is in place, the loanback is advanced and the following fees paid from the SSAS:

- T&M Establishment Fee: £900 (incl. VAT)
- T&M Loanback Fee: £600 (incl. VAT)
- Estimated Solicitors Fees: £1,020 (incl. VAT)
- Disbursements: £50
- **Total: £2,570**

A repayment schedule is sent to the borrower with the repayments being reconciled by Talbot and Muir on completion of the year end report. With the cash remaining in the SSAS, the adviser recommends that John and Jane invest in their chosen Discretionary Fund Manager and a Trustee Investment Plan.

Outcomes

John and Jane's company secures the necessary funding enabling them to further expand their business.

The loan repayments made by their company are classed as a business expense, thereby reducing their corporation tax liability.

Instead of interest being paid to a third party lender, their SSAS receives a regular income stream which helps to build up their pension pots for their future retirement. In addition, all loan repayments received by the SSAS are tax free

Their pensions remain outside of their estate for IHT purposes.

Business development team

Contact Name	Designated Region	Contact	Email
David Bonneywell (Director)	North, Midlands, South	07771 986 539	David.bonneywell@talbotmuir.co.uk
Nicholas Parkes (BDC)	North & N.Ireland	07539 121 220	Nicholas.parkes@talbotmuir.co.uk
Gemma Fenton (BDC)	West & South West	07940 254 064	Gemma.fenton@talbotmuir.co.uk
David Erentz (BDC)	East	07951 268 063	David.erentz@talbotmuir.co.uk
Michael Hurley (BDC)	London	07826 067 563	Michael.hurley@talbotmuir.co.uk
Adviser Support	Office based (Nott'm)	0115 841 5000	Enquiries@talbotmuir.co.uk

Talbot and Muir

55 Maid Marian Way
Nottingham
NG1 6GE

Telephone 0115 841 5000
Facsimile 0115 841 5027

www.talbotmuir.co.uk

Talbot and Muir Limited provides administration to Small Self Administered Pension Schemes and is authorised by and regulated by the Financial Conduct Authority to provide administration to Self Invested Personal Pensions.

Talbot and Muir is the trading name for Talbot and Muir Limited (company number 02869547), registered in England, registered address 55 Maid Marian Way, Nottingham, NG1 6GE. A list of directors is available upon request.

Tech – Case study Feb 2020