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SSAS

Guidance Notes

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

A small self administered scheme (SSAS) is a pension set 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 to have control over the investment selection process for the members retirement savings. There is no list of allowable investments but HM Revenue & Customs will tax certain assets, such as residential property, which makes them unsuitable as an investment. Generally SSAS's invest in funds, stocks, shares, and commercial property. If not using the services of a professional SSAS Provider the trustees will need to be clear on what constitutes taxable assets and avoid them.

Members/trustees may choose to make investment decisions themselves, or appoint an investment manager or adviser of their choosing, if using a Provider they should not dictate this.

In addition to making investments, a SSAS can also borrow up to 50% of its value in order to invest further. This is usually to buy a commercial property but can be used for other assets provided the lender, such as a high street bank, allows this. A SSAS can also lend to what is known as an unconnected third party, but this is fairly unusual and not all SSAS providers will allow this.

SSAS products, unlike SIPPs are able to make loans to the sponsoring employer. This needs to be done in a structured way to avoid any unnecessary tax charges. These are called loanbacks and can be up to 50% of the value of the SSAS at the time of the loan. There are strict criteria when making the loan, regarding interest rates, terms and security and advice should be sought before committing to a loan of this type.

A SSAS must be established with an employer, via a partnership or as a sole trader. The scheme is governed by the trust deed and rules which need to be periodically updated in line with changing legislation.

Unlike a self invested personal pension (SIPP) there is no requirement for a third party Provider and the scheme can be managed by the trustee members, although they need to be suitably aware of all the implications of doing so which can be found at www.talbotmuir.co.uk/knowledge-and-technical/role-pension-scheme-adminstrator.

Building the SSAS

When you pay personal contributions you can get up to 45% tax relief on those contributions depending on your earnings and personal circumstances. Your employer can also pay into your SSAS and they are likely to receive corporation tax relief on contributions paid by the company. The total level of contributions to all your pension schemes each year is checked against the annual allowance, which is currently £60,000. Anything over the annual allowance is subject to a tax charge which varies depending on the level of tax you pay. It is designed to remove any tax relief given over the £60,000 annual allowance. In some cases it is possible to use your annual allowance from the previous 3 years, this is known as 'carry forward'. Those that have already accessed benefits from a registered pension scheme may be restricted to an annual allowance of £10,000 for money purchase contributions.

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.

talbotandmuir

Talbot and Muir
55 Maid Marian Way
Nottingham
NG1 6GE
Telephone 0115 841 5000
Facsimile 0115 841 5027

www.talbotmuir.co.uk

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GEN01 TM -SS 20240226