

Small Self Administered Schemes (SSAS) Explained

**Please note that these are general guidelines only.
Please contact us before taking any action.**

What is a Small Self-Administered Scheme (SSAS)?

It is a Registered Pension Scheme with between 1 and 12 members, usually family members and/or business partners. There is usually a Principal Employer attached to the SSAS but that is not a requirement.. It will have its own Trust Deed and Rules.

Who are the trustees?

- All members must be trustees.
- There is no need for a Professional (formerly Pensioneer) Trustee, but we recommend there is one appointed to the SSAS. If there is no Professional Trustee, HM Revenue and Customs (HMRC) will consider the SSAS to be high risk and are likely to look closely at it.
- Any trustee other than the Professional Trustee and the member (Managing) trustee(s) must be authorised to give investment advice under FSAM 2000.

Who can join?

- Anyone, provided they are at least 18 (because they must also be a trustee).
- Even if there is a sponsoring employer, there is no need for them to be employed by that company.

Investments (other than property)

- Can invest in anything, and most investments are wholly tax free on both income and capital gains (other than ACT payable on UK dividends). Some other investments are penally taxed
- Penal tax of 40%, 55% or even 70% applies on such as art, antiques, personal chattels such as yachts, racehorses etc

Property investment

- UK commercial property fully tax free
- Overseas commercial property may be subject to local taxes
- UK residential property allowed as a wholly tax free investment provided it is via a "suitably diverse commercial vehicle". This means either via a unit or investment trust, or REIT or OEIC or directly but if direct, it must be a portfolio of at least 3 properties (or £1M), with no 1 property being more than 40% of portfolio, and SSAS (and any connected party) cannot own more than 10% of the portfolio
- Overseas residential is same as for UK residential, but there may be local taxes and local legal issues re ownership etc

Borrowings

- Can borrow up to 50% of net assets of the SSAS for any purpose
- Must be on commercial terms

Loan Backs

- Up to 50% of net assets can be loaned
- Can be loaned to any employer that is linked to the SSAS as either a Principal or Participating Employer
- Cannot loan to scheme members
- Must be a secured loan
- Must be for max of 5 years
- Interest rate 1% above base lending rate of the 6 major high street banks
- Repayments must be capital and interest, regular and equal

Unquoted Shares

- If they are in a connected business, limited to 5% of net assets of SSAS
- Unconnected business – no HMRC restrictions, though we do not permit them within our SSASs

<p>Transactions with Connected Parties</p> <ul style="list-style-type: none"> • Permitted • Must be on commercial basis • Must be independently valued • Can be both ways i.e. SSAS can buy from or sell to a member <p>Contributions</p> <ul style="list-style-type: none"> • Up to total of £50,000 in 2011/12 per member by company and/or member, with full personal or corporation tax relief on such contributions, provided: <ol style="list-style-type: none"> a) member's contributions do not exceed 100% of salary b) company contributions can be justified to Inspector of Taxes as being relevant to member's involvement with the business • The limit of £50,000 covers all pensions for a member – so if the member has an insurance pension policy with an annual premium of £15,000, a maximum of £35,000 can be paid for him into the SSAS <p>Maximum benefits</p> <ul style="list-style-type: none"> • Up to £1.8M fund per member but reducing to £1.5M from 6.4.2012 <p>Benefits payable</p> <ul style="list-style-type: none"> • Can be taken at any time after age 55 • No need to retire from employment or give up directorships • 25% of fund can be taken as tax free cash sum 	<ul style="list-style-type: none"> • Annual pension depends on fund size but is between zero and 100% of basic drawdown pension ~ 100% of basic drawdown pension is roughly equivalent to what member would get if an annuity were bought (but no need to buy an annuity). • If member has guaranteed pension income (essentially state pension plus annuity income from an insurance policy) of at least £20,000pa, can take as much drawdown as they choose in any year, but will pay marginal income tax rate on their drawdown payment • No need ever to buy an annuity <p>Death</p> <ul style="list-style-type: none"> • On death before drawing benefits, whole of member's fund can be paid out as lump sum free of IHT • On death after starting to draw benefits (includes just taking the tax free cash sum) if no annuity has been bought fund is used to provide income each year to spouse/dependants. Alternatively, can pay out whole of fund but tax of 55% is paid. Residual 45% fund exempt from IHT. • If lump sum is paid out to a pre-nominated charity, zero tax is payable. • Reallocation to other members is not allowed. <p>Protected Rights</p> <ul style="list-style-type: none"> • Not allowed
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MW Pensions Ltd
Oaklands Park,
Hooton Road
Hooton,
South Wirral CH66 7NZ
Telephone: 0151 328 1777 Fax: 0151 328 0707
Email: admin@mw pensions.co.uk
website: www.mw pensions.co.uk

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