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members of the public should not rely upon it

INVESTMENTS IN A SIPP OR SSAS

We do not give any investment advice. We leave that to authorised financial advisors etc. However, not all potential investments in a SIPP or a SSAS are tax free and these are considered in this leaflet.

What investments are allowed by HMRC in a SIPP or a SSAS?

Actually, that is the wrong question! Under the Finance Act 2004, there are no prohibited investments. Anything can be held as an investment in a Registered Pension Scheme, such as a SIPP or SSAS. However, whilst most investments are entirely tax-free, there are others that are not tax free and indeed will in some cases attract penal tax charges if held in a SIPP or SSAS.

Examples of non-tax free investments are art and antiques and direct ownership of more than 10% of a residential property portfolio.

So let's look at how various investment categories are taxed.

What about quoted stocks and shares?

Pension Schemes can, since 1997, no longer claim back the ACT (Advanced Corporation Tax) on dividend payments of UK shares.

Some overseas stocks and shares may be subject to deduction of local taxes before receipt into a UK pension scheme.

There are no other taxes on quoted shares; in particular, there is no CGT.

What about gilts and corporate bonds?

These are entirely tax free, both in terms of income tax and CGT.

What about property?

UK Commercial property is entirely tax free of UK taxes, both in terms of rental income and capital gains. Overseas commercial property may be subject to local taxes...

What about unit and investment trusts and OEICs etc?

These are all tax free investments if they are UK based but non-UK investments may be subject to local overseas tax.

What about investment in residential property?

This is tax free, provided it is via a "genuinely diverse commercial vehicle". Essentially, it cannot be a single property and must be a portfolio worth at least £1M (or a minimum of 3 properties), with no one property representing more than 40% of the total portfolio valuation. No SIPP, including a connected party, can own more than 10% of the portfolio. See our separate leaflet for more details

What about unquoted shares?

They are allowed by HMRC, but there may be tax consequences if the investment gives rise to Taxable Property. We do not allow unquoted shares in a trading company within the MW SIPP.

And cash?

It is of course allowed and can be in any currency.

What investments are allowed/not allowed in an MW SIPP?

Unlike most SIPPs, we will allow virtually anything that is a legitimate asset for a pension scheme. However, we do not allow, for example, unquoted shares in a trading company or direct ownership of non-UK properties. We do also not allow totally unsuitable investments such as works of art, racehorses, yachts etc

Might there be future changes?

The answer is yes – HMRC and the Treasury can change the tax treatment of pension schemes at any time. But we can only explain the rules as they currently are.

We do not give financial advice nor do we advise on the suitability of a SIPP. No comments here are intended as such. The above information is based on our understanding of the legislation governing pensions at the time of writing. Before taking any action you should consult a qualified financial and/or tax adviser. Levels, bases of and reliefs from taxation may be subject to change.

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