

SUPPORTING
YOUR BUSINESS
INTERESTS

TECHNICAL INFORMATION

Small Self-Administered Pensions

THE OPPORTUNITY FOR SMALL-SELF ADMINISTERED PENSION SCHEMES (SSASs) TO PLAY AN IMPORTANT AND EFFECTIVE ROLE IN FAMILY TAX AND LEGACY PLANNING HAS NEVER BEEN BETTER.

THE FAMILY PENSION

For over forty years, a SSAS has been used by business owners to keep more control over the investment, administration and decision-making of their pension scheme.

The major pension changes of April 2015 have now put the spotlight back onto a SSAS as it has the potential of being one of the most tax- efficient vehicles available in family wealth planning.

IS THIS YOU?

- A director/shareholder of a family business?
- Perhaps you already have a SSAS but no one is talking to you about the planning possibilities?
- You have a SIPP and you are a director/shareholder of a family business?
- You are thinking of selling your business and you want to make the most of this opportunity, with your pension fund?

WHY HURLEY PARTNERS?

Hurley Partners provides families and individuals with the careful management of their financial assets and the protection of their financial legacy. The directors have been advising on SSASs for over 35 years.

Trustee services are provided by Hurley Trustee Services Limited. Scheme administration, advice on pensions and investment matters held in a SSAS are provided by Hurley Partners Limited.

TRUSTEE
SERVICES

STRATEGIC
ADVICE

SCHEME
ADMINISTRATION

INVESTMENT
MANAGEMENT

SSAS OVERVIEW

A SSAS is primarily for shareholding directors in a small/family business. You can include other members of your family.

The members are also trustees and with the expert assistance of Hurley Partners, they have control over all aspects of running the scheme.

We believe that control is important to small businesses and in the context of a SSAS, the trustees make decisions (subject to HMRC regulations) on:

- admission of members
- investment strategy
- commercial property purchase and management
- arms-length dealings with the sponsoring company, such as loans and lease terms.

WHY HAVE A SSAS?

Hurley Partners will establish the scheme on your behalf. We register the SSAS with HMRC. Both your SSAS and your company will benefit from the generous tax reliefs available.

The key advantages of having a SSAS, in addition to control, are shown below.

- Company contributions are tax allowable;
- Investments grow tax-free with no CGT on disposal;
- Pooling investments with your family or co-directors;
- Commercial property can be acquired and leased back to your business;
- Making a loan to your business subject to rules;
- Flexible retirement benefits;
- Ability to cascade the fund down to your family and free of IHT;
- Likely to be more cost-effective than multiple SIPPs.

WHAT IS A SSAS?

A SSAS is a bespoke occupational pension scheme established by a limited company (the sponsoring employer) via deed, to provide retirement benefits for the directors and owners and their families. As each individual scheme is bespoke, it requires registration with HMRC and this can take up to 4 months.

The scheme name is decided by the sponsoring employer and can be anything that you wish, although generally the name is linked back to the name of the sponsoring employer, or the family in some way, to assist in getting HMRC registration.

- Established by a trust deed;
- Generally up to 11 members, who all become trustees;
- Assets held by trustees (and these are separate from those of the sponsoring employer);
- High level of control and flexibility (particularly compared to many Personal Pensions and Self Invested Personal Pension – SIPPs).

Typically the Scheme will have an appointed Scheme Administrator (who looks after the day to day running of the Scheme as well as annual reporting to the regulators - HMRC and The Pensions Regulator) and a Professional Trustee who provides guidance to the trustees to ensure they operate within the rules of the Scheme and wider regulations. Hurley Partners provides both these services.

INVESTMENT FREEDOM

You are able to choose from a wider list of permitted investments, than in most other pensions. It is the trustees who make investment decisions. Often our clients are guided by us and for most we manage their portfolio of stocks/shares/collectives.

The following are permitted investments:

- Shares in public and private companies
- Unit Trusts & OEICS and other collectives
- Commercial property and land
- Loans to the sponsoring company
- Cash/bank deposits

COMMERCIAL PROPERTY

Many of our SSASs were originally established as the company wished to invest in commercial property. Making the acquisition in your pension fund takes the property and finance off the company balance sheet and into a tax-free environment.

A significant attraction for a SSAS is the ability to purchase commercial property. This may be simply as an investment but in many cases the purchase is made as part of the business planning and the sponsoring employer will operate from it. Benefits of this approach include:

- Pension money is used instead of company money;
- No CGT will be payable on eventual sale of the property;
- The property is not shown on the company's balance sheet.

Where the employer occupies such a property, a commercial lease is established and market rent paid. The rent paid by the company to the pension fund is not only an expense for corporation tax relief, but creates an additional return for the future benefit of the members. A SSAS is able to borrow funds to assist with the purchase, up to a limit of 50% of the net asset value of the scheme.

MAKING LOANS

Unique to a SSAS is the ability to make secured loans on a commercial basis to the sponsoring employer for bona fide business purposes. The maximum amount the scheme can lend is 50% of the net asset value of the scheme. The loan must be legally secured for the full term and the security must be worth at least the value of the outstanding loan plus the interest. The minimum interest rate must be 1% above the average base lending rates of the 6 leading high street banks. Our current position is a commercial rate is fixed at 3.5% above base, so 4.25%. The term must be for 5 years or less, and be repaid on a capital and interest basis, with at least annual repayments.

BENEFITS TO YOU AND YOUR COMPANY

As a result of the wider investment powers, your scheme can be a very useful addition to your company's overall financial strategy.

- Commercial property can be leased to your company, which pays a commercial rent to the pension fund. This is tax deductible. In the hands of the SSAS, rent received is tax-free income.
- The SSAS can make a secured loan on a commercial basis to your company. The SSAS benefits from tax-free interest receipts and your company gets tax relief on the interest paid
- Family members employed by the company can be members of the SSAS and build up their own funds.

CONTRIBUTIONS AND TRANSFERS

The SSAS can receive employer pension contributions from the sponsoring employer and for any employee/director of the sponsoring employer. The benefit to the company is that the contribution will be a business expense for corporation tax relief purposes. In order for the contribution to receive tax relief it must be demonstrated that the contribution is wholly and exclusively for the purposes of trade, and therefore the amount must be reflective of the each persons' contribution to the business.

Generally speaking directors can decide how they are remunerated so any level of contribution for them will meet this test. If however an employee who is not a director receives a contribution, it must be at a level suitable for their role within the company to meet the test.

Contributions for each member are limited to the Annual Allowance, which is the maximum pension contribution an individual can have in any one tax year. The annual limit is currently up to £40,000 depending on personal circumstances and applies to all pension schemes. It is possible to carry forward unused allowance from the previous 3 tax years (up to £120,000).

The scheme can also receive transfers from other HMRC registered pension arrangements. Each member that receives a transfer or contribution into the Scheme will have their own share of the scheme which can be identified at any specific time.

RETIREMENT BENEFITS

Your SSAS is an Occupational Pension Scheme. HMRC rules apply to benefits.

Members will be entitled to a tax free lump sum of up to 25% of their allocated fund from age 55 (the minimum age is changing).

Your SSAS with Hurley Partners will provide:

- Flexible access to your pension allowing you to draw 'income' in a tax-efficient way;
- Allowing you to decide how you would like your pension funds to be applied on your death. This allows a SSAS to retain more funds and potentially incur significantly less tax for the benefit of your remaining family.

DEATH OF A MEMBER

On a member's death, the benefits that remain in the SSAS can be paid at the discretion of the remaining trustees.

Each member will make nominations that states to whom they would like their benefits paid to on their death. As pension assets are held by the trustees for the members benefit, the pension assets do not form part of the member's estate, and generally are not subject to Inheritance tax on death.

- Benefits can be paid as a lump sum directly to the member's beneficiaries;
- Used to purchase a beneficiaries annuity;
- Remain in the scheme to provide ongoing pension benefits (via drawdown);
- The tax position on the benefits depends on the age at which the member dies. If the member dies under age 75, the benefits can be paid free from income tax, and if they die over age 75, the benefits are taxed on the recipient under PAYE.

Pension assets within a SSAS can be passed down the generations indefinitely, whilst the funds remain in the Scheme.

SSASs AND SIPP

There are some important advantages a SSAS has over a SIPP, the main ones being:

- Generally easier property transactions;
- Ability to make loans to your company;
- You are the trustees and have control;
- Lower costs and VAT savings possible.

CAN WE HELP?

If you would like to learn more contact:
Peter Collier, Business Development Director
020 8936 3970
peter.collier@hurleypartners.co.uk

Hurley Partners strongly recommends that individuals should seek suitable professional advice regarding the matters referred to in this document, which has been prepared for general interest only. The tax reliefs referred to in this document are those currently available under current legislation which may be liable to change and their value depends on your individual circumstances. Nothing in this document constitutes advice.



London | Leatherhead | Manchester

www.hurleypartners.co.uk

Hurley Partners Limited is a limited company registered in England and Wales.

Registered office: 12 Conduit Street, Mayfair, London, W1S 2XH.

Authorised and regulated by the Financial Conduct Authority. No. 665051. © Hurley Partners Limited 2019