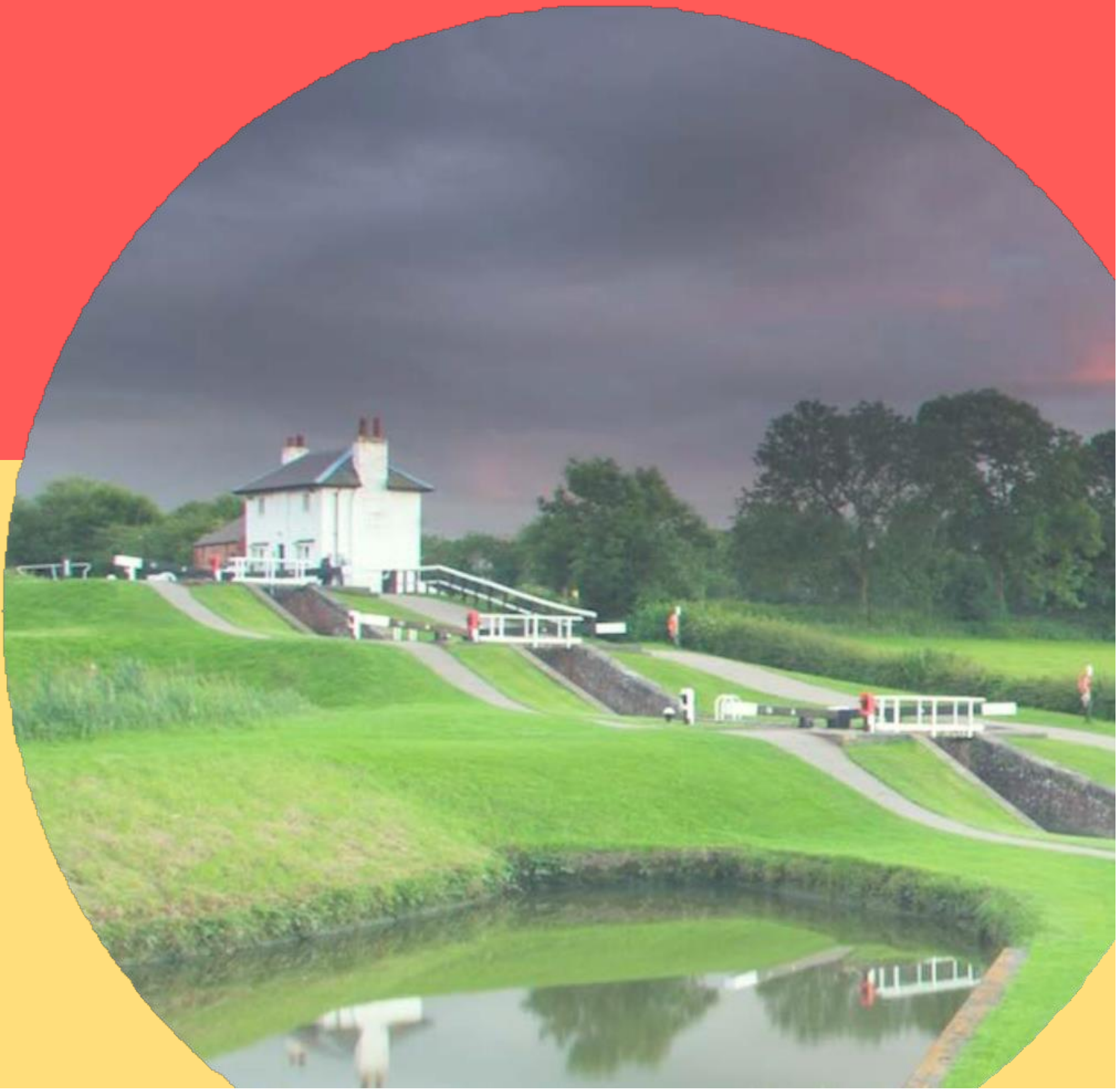
SSAS Practitioner.com
The SSAS Specialist

SSAS BROCHURE

SMALL SELF-ADMINISTERED SCHEME



CONTENTS

INTRODUCTION

The purpose of this brochure is to explain features of the SSAS Practitioner.com SSAS. We do not offer investment advice. We recommend that any decision to establish a SSAS with SSAS Practitioner.com should be based on recommendations from an individual authorised to provide investment advice. No part of this brochure should be taken as investment advice.

OUTLINE OF A SSAS

A SSAS is an occupational pension scheme consisting of up to 11 members. A SSAS is established by an employer, known as the Principal Employer, via a Trust Deed and Rules. Under our Trust Deed and Rules, the Principal Employer appoints Trustees to the scheme and invites members to join the scheme; the members are also always Trustees.

The Trustees are responsible for the scheme's investment decisions and must sign for all investments and transactions on the scheme's bank account.

The Trustees may outsource some or all of their responsibilities to third parties, i.e. to a traditional pension Administrator or to a Practitioner such as SSAS Practitioner.com. Legally, a SSAS requires a registered Scheme Administrator whose responsibilities include dealing with tax-related matters and filing scheme-related returns to HMRC. Fines can be imposed by HMRC for failure to adhere to these requirements.

SSAS Practitioner.com will fulfill all of the scheme's administration duties and liaise with HMRC on behalf of the Trustees, where possible.

SSAS Practitioner.com will be registered with HMRC as the SSAS's Practitioner. We run the scheme and deal with all duties imposed on behalf of the Trustees.

The Trustees are expected to abide by the rules of the scheme, as detailed in our Trust Deed and Rules, and must inform SSAS Practitioner.com immediately should they no longer be legally entitled to act as a Trustee.

A SSAS can have more than one employer participating in it, but there must be a single employer who has the title 'Principal Employer'. Employers are usually private limited companies or partnerships, but they don't have to be, they could even be a PLC.

SSAS PRACTITIONER.COM SSAS

Our SSAS allows a group of individuals, such as directors of a limited company or partners in a partnership, to:

- Save for retirement in a tax-efficient manner
- Take a pension and a tax-free lump sum on retirement
- Pool member contributions to obtain potentially greater investment opportunities
- Control the scheme's investments (decisions are made by the trustees and/or their financial adviser)
- Complete 'Expression of Wish' forms to determine where funds are passed to in the event of death

It also allows members to make use of other tax efficient procedures such as purchasing commercial property, lending money and borrowing money (see below).

LET'S BUILD YOUR FUTURE...

MEMBERSHIP OF THE SCHEME

A 'scheme member' is defined as any active member, pensioner member receiving benefits, deferred member or pension credit member of the scheme. Most people will initially be active members, i.e. they will be in the scheme to accrue benefits under the scheme. Any individual may become a pensioner member if the person is entitled to a payment of benefits under the scheme. A deferred member is someone who has rights under the scheme but is neither an active member or a pensioner member. Members of the scheme are usually employees of the principal or associated employers, but there is no requirement for them to be.

CONTRIBUTIONS TO THE SSAS

Contributions can be made from the SSAS's principal or associated employer, a member or a third party. Certain investments are subject to prohibitive taxes and include residential property or personal chattels. Tax relief accrues on legitimate contributions, with the amount of tax relief depending on a variety of factors. Annual limits are in place regarding contributions (the 'Annual Allowance') and prior to 6 April 2024 there was a lifetime limit on the total pension fund accrued in a tax-efficient manner (the 'Lifetime Allowance'). On and from 06/04/2024 the Lifetime Allowance test has been replaced by two new tests, the Lump sum allowance (LSA) and the Lump sum and death benefit allowance (LS&DBA) tests. These are tests on the tax-free lump sum amounts available under the SSAS at Relevant benefit crystallisation events (RBCE's). The LSA is set at £268,275 for tax year 2024-2025 and the LS&DBA is set at £1,073,100 for tax year 2024-2025. The RBCE's under each test are different and the calculations take into consideration previous Lifetime Allowance usage.

The Spring Budget 2023, confirmed that the lifetime allowance tax charge would be removed from 6 April 2023 but that the lifetime allowance would not be fully abolished until the 2024-2025 tax year, through a future Finance Bill. This means that from 6 April 2023 the current lifetime allowance framework remains in place and the lifetime allowance for 2023-2024 tax year remains at £1,073,100.

Details of the 'Annual Allowance', 'Lifetime Allowance', 'LSA' and 'LS&DBA' can be found on our website here.

MAKING CONTRIBUTIONS AND RECEIVING TAX RELIEF

Personal contributions from members receive tax relief provided they do not exceed the lower of the Annual Allowance or total PAYE-related earnings within the same tax year. Tax relief on personal contributions is only granted on contributions up to 100% of earnings in any tax year, up to the Annual Allowance.

Employer contributions receive tax relief in the year they are made, provided they are deemed by HMRC to be 'wholly and exclusively' for the purposes of the employer's trade. In order for the scheme to gain tax relief, employer contributions are limited to the Annual Allowance. If the total of the employer's contribution for a particular member plus the member's personal contribution exceeds the Annual Allowance, the member will be liable to 40% income tax on the excess. This additional tax does not apply in the year in which a member retires, i.e. takes their full benefit entitlement from the scheme. The member benefiting from the contribution accrues tax relief.

THE TAX EFFICIENCY OF A SSAS

A SSAS is highly tax efficient:

- Investment (other than dividend income) grows free from UK capital gains tax and income tax.
- In respect of tax-free lump sum death benefits where member dies under age 75, from 06/04/2024, if over the LS&DBA and paid within the two year window, excess is taxed as pension income (or trust rate of 45% if applicable). If the lump sum is not paid within the two year window, then the whole lump sum including excess over LS&DBA, is subject to the special lump sum death benefit charge (45%). If the pension is paid outside the two year window, there is marginal rate of income tax applied against the beneficiary, however, if the pension is made from crystallised funds, there is no two year window and the pension income remains tax-free.
- However, if the lump sum is paid to a non-qualifying individual (such as a trust), the tax charge will be 45%.

GROW YOUR FUND...

TRANSFERRING OTHER PENSION SCHEMES TO THE SSAS

UK pension benefits and policies can be transferred in or assigned to the SSAS Practitioner.com SSAS. It is important that you take advice from a financial adviser before requesting the transfer of any benefits into your SSAS; we do not provide financial advice.

INVESTMENTS ALLOWABLE IN A SSAS

Any investments are allowable in a SSAS, but some investments are taxable. Investments can be made in any area the Trustees (or their financial advisers) feel appropriate for the benefit of the scheme members.

- Commercial property and land (including agricultural land).
- Residential property not considered taxable property as defined by Schedule 29A of the Finance Act 2004 (e.g. student accommodation, residential care homes, etc).
- Hotel accommodation, subject to certain conditions.
- UK quoted shares, stocks and debentures.
- Stocks and shares quoted on a recognised overseas stock exchange including Investment Trusts, Real Estate Investment Trusts (REITs), and exchange traded commodities.
- Shares in the sponsoring employer.
- Government and local authority bonds and other fixed interest stocks; Listed corporate bonds. Futures and options quoted on a recognised stock exchange.
- Hedge funds.
- Insurance company funds.
- Bank and building society deposits.
- Cash deposits in any major currency, excluding crypto currency.
- Gold bullion.
- Secured loans to associated or unassociated companies (subject to limits).
- Certain National Savings & Investment (NS&I) products.

Investments in shares not listed on any major stock exchange are acceptable. However, if there is any connection to members of the SSAS, the investment is limited to 5% of the SSAS fund value.

The following non-exhaustive list of investments are taxable, and although allowable, these investments are not recommended due to prohibitive tax charges.

- Antiques (including vintage cars).
- Residential Property.
- Works of art.
- Unsecured loans to the business.
- Plant & machinery.
- Personal loans and loans to 'connected' persons (including business associates and family).

USING A SSAS TO PURCHASE COMMERCIAL PROPERTY

A SSAS can be a particularly tax-efficient vehicle with which to purchase commercial property. Funds within the SSAS belonging to several members can be pooled for this purpose, as indeed they can for any SSAS investment. Once the property is purchased, a market rent must be paid by the tenants and this accrues in the SSAS free of income tax. Commercial property can be purchased from a connected party or on the open market from an unconnected party.

If property is purchased for the scheme from a connected party (e.g. the business or members of the SSAS and their families) then an independent open-market valuation is required. This must be carried out by an RICS approved surveyor and the property must be bought at the open-market rate as determined by the surveyor. There is no need for an open-market rental valuation to be carried out if the property is leased to a third party, but if it subsequently leased to a connected party the surveyor's valuation must include the rental rate to be paid.

Property sold to the SSAS by, for example, a connected company can particularly benefit a cash poor company. As commercial property is an allowable investment, tax relief would be available on the contribution, which is then offset against corporation tax.

Gearing is allowed, and the SSAS can borrow up to 50% of the net value of the scheme to finance property purchase. In reality, the limits imposed by the majority of the banks are far in excess of this, making borrowing fairly straightforward for a SSAS. As the SSAS is a separate legal entity from the company, it is important to remember that any borrowings taken on are not reflected as debts in company accounts. As with any allowable assets in the scheme, property grows free from capital gains tax (CGT) and the income, rent, is free from income tax.

TAKE CONTROL...

LENDING MONEY FROM THE SSAS (LOANBACKS)

Under current legislation it is possible to lend up to 50% of the net value of the fund to a sponsoring employer under the scheme. 'Loanbacks', as they are known, must be secured against assets by way of a first legal charge. This is to ensure the Trustees do not lose any of their retirement fund and can reclaim monies against any defaulted loans. The maximum loanback term is five years. The rate of interest payable is set by HMRC; their latest rate is available on our website or by calling SSAS Practitioner.com, and is charged at 1% above the average base- lending rate of the six main high street banks.

It is not possible to make loans from a SSAS to a scheme member or anyone connected to them, but unconnected third-party loans are acceptable. Loans to third parties can utilise 100% of the fund value and do not need to be secured. However, we have made the decision to restrict third party loans under our SSAS product to 50% of the fund value, although existing third party loans in place that exceed this will be honoured where we takeover an existing SSAS.

USING THE SSAS TO PURCHASE SHARES IN THE PRINCIPAL EMPLOYER

Using the SSAS to invest in the shares of the Principal Employer or other associated employers is limited to 5% or less of the fund value of any one such employer, and is limited to 20% or less of the fund value of all employers. It is worth noting that this limit applies whether the Principal Employer is a limited company, partnership or PLC. Caution needs to be applied when investing in the Principal Employer. Purchase of shares may result in the SSAS owning unauthorised investments in the eyes of HMRC, e.g. office equipment or vehicles owned by the company that are taxable within a SSAS.

This is because the pension scheme cannot hold taxable property or tangible moveable property* (so either residential property or items such as art, antiques, classic cars and also plant and machinery) either directly or indirectly, unless the indirect interest in the taxable property is through a genuinely diverse commercial vehicle.

The sponsoring company would need to be deemed a “genuine diverse commercial vehicle” and this would mean the sponsoring employer would need to meet the following conditions:

1. The main activity is the carrying on of a trade, profession or vocation

2. The pension scheme either alone or together with associated persons does not have control of the vehicle

3. Neither a pension scheme member not a person connected to such a member is a controlling director of the vehicle or any other vehicle which holds an interest in the vehicle directly or indirectly

4. The pension scheme does not directly or indirectly hold an interest in the vehicle for the purposes of enabling a pension scheme member or a connected person of such a member to occupy or use the property.

The above conditions normally rule out a sponsoring employer being deemed a genuine diverse commercial vehicle.

BORROWING

The maximum the SSAS can borrow is 50% of its net fund value at the date of the borrowing. There is no restriction on the term of the borrowing, or where the monies are borrowed from. The borrowing must be on commercial terms. Borrowing can be particularly useful when utilised in conjunction with the purchase of commercial property.

WITHDRAWING BENEFITS FROM THE SCHEME

SSAS members do not need to retire from employment to take benefits from the scheme. Usually a maximum of 25% of the accrued fund is taken as tax-free cash and the balance is drawn down (and subject to tax). Members may start to take benefits at any time from the age of 55, the normal minimum pension age will be increasing to age 57 from April 2028. There is no upper age limit on benefit commencement. When the commencement of benefits takes place prior to 6 April 2023, the total value of a member's SSAS share combined with other pension funds he/she may have, will be checked against the Lifetime Allowance. If the value of a members total pension arrangements is greater than the Lifetime Allowance, there may be a tax charge, unless the fund has been protected from the lifetime allowance.

On and from 06/04/2024, the former Lifetime Allowance Test is replaced by two new tests, the Lump sum allowance (LSA) and the Lump sum and death benefit allowance (LS&DBA) test. The LSA maximum limit is £268,275 for tax year 2024-2025 (although some individuals may have personalised protection with a higher limit) and the LS&DBA maximum limit is £1,073,100 for tax year 2024-2025 (although some individuals may have personalised protection with a higher limit). The new tests are against tax-free lump sums at certain relevant benefit crystallisation events. Whilst the LSA is a lifetime test, the LS&DBA is a test against both lifetime and death benefits. The calculations for both tests incorporate previous Lifetime Allowance usage.

Please check our website for details of Capped Drawdown limits (only relevant if drawdown commenced prior to April 2015). We strongly recommend members take financial advice prior to deciding upon the most suitable method of benefit withdrawal to suit their needs.

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FLEXIBILITY...

PENSION BENEFITS

Pension benefits are taxed as earned income. There are several options with regard to taking pension.

- **Capped Income Drawdown.** Capped Income Drawdown is an option to draw an income for life from the SSAS, within an annual limit, without having to purchase an annuity. Capped Income Drawdown can commence from the age of 55, but must have commenced prior to April 2015. Capped Income Drawdown allows a pension to be paid up to a maximum amount every year: see the Capped Income Drawdown calculator on our website to determine how much can be drawn. The maximum income limits will be reviewed every three years before the age of 75 and annually after the age of 75. There is no minimum income limit, and the member can choose not to draw any income at all, if desired. Capped Income Drawdown is NOT an available option for people drawing retirement benefits for the first time after April 2015. A Capped Drawdown Fund can be converted to a Flexi-Access Drawdown Fund in order to be able to make unrestricted pension withdrawals from the fund (subject to income tax). Anyone who has partially crystallised their funds before April 2015 and is receiving Capped Income Drawdown from the crystallised portion of their fund can crystallise the balance of their fund post April 2015 to pay Capped Income Drawdown if they wish. Drawing via Capped Income Drawdown allows your annual allowance to remain at £60,000 tax year 2024-2025.

- **Flexi-Access Drawdown.** You can take as little or as much income as required. You pay marginal rate tax on all withdrawals. No calculations are required. No review dates are required for assets as is the case with Capped Income Drawdown. A tax-free lump sum of 25% of the member's accumulated fund can be paid, subject to not exceeding the LSA of £268,275 from all pension sources. The balance of the fund becomes a Flexi-Access Drawdown Fund. There are no restrictions on the amount or frequency of withdrawals that can be made from the Flexi-Access Drawdown Fund. Income tax at the member's marginal rate is payable on Flexi-Access withdrawals. Those receiving the current Capped Income Drawdown (see above) can convert to Flexi-Access Drawdown should they wish (for example, if they want to receive withdrawals in excess of their maximum Capped Income Drawdown).Those with Flexible Drawdown Funds prior to April 2015 will automatically become Flexi- Access Drawdown Funds. Please note that if you take Flexi-Access Drawdown your annual allowance reduces to £10,000 tax year 2024-2025.

- **Uncrystallised Funds Pension Lump Sum**. This is paid from 'uncrystallised' funds, ie. funds from which no benefits have previously been derived. 25% of the pot is taken tax-free and from 06/04/2024 you must have remaining Lump sum allowance (LSA) and Lump sum and death benefit allowance (LS&DBA) remaining. As an alternative to drawdown, a member can simply choose to withdraw a lump sum from their accumulated pension fund using this method. Of each lump sum paid, 25% is tax free and the remaining 75% will be taxable as pension income at the individual's marginal rate of income tax. The 25% element is not available for payments from Pension Credits (in respect of divorce), as a tax-free lump sum may already have been paid in connection with these funds before the pension-sharing order was issued. A payment of an uncrystallised funds pension lump sum from 06/04/2024 will be a relevant benefit crystallisation event and subject to both the LSA and the LS&DBA tests. If the tax-free lump sum part exceeds the permitted maximum, the excess is taxed and ran through payroll in respect of the member.
  Please note that if you take Uncrystallised Funds Lump Sum your annual allowance reduces to £10,000.

A member may also use their accrued fund share to purchase an annuity from an insurance company.

YOUR LEGACY...

DEATH PRIOR TO THE AGE OF 75

Crystallised or uncrystallised funds can be passed on completely tax free to any beneficiary as a lump sum or a drawdown pension if paid within two years of date of notification of death and within the LS&DBA limit. If the lump sum is over the LS&DBA limit and paid within two year window, the excess is taxed as pension income against the beneficiary. If lump sum is not paid within two year window, then whole lup sum including the excess over the LS&DBA is subject to a special lump sum death benefit charge (45%), In respect of pension, if from uncrystallised funds remains tax-free if paid within two year window, outside two year window subject to beneficiary's marginal rate of income tax. If funds are crystallised, the payment of pension is tax-free, there is no two year window rule.

DEATH AFTER THE AGE OF 75

Any beneficiary can take either lump sum or pension drawdown at their marginal rate. However, if paid to a discretionary trust (or to other non-qualifying individual) then tax charge is 45%. If designating to pension drawdown, assets can remain in your SSAS for years after death, benefiting from tax-free growth and income, and potentially providing an income for your beneficiaries and their beneficiaries for years to come.

Pension scheme members nominate beneficiaries who can receive benefits from an individual's fund on their death. The beneficiary does not have to be a dependent and can be anyone nominated by the deceased member. The beneficiaries nominated by the deceased member will 'inherit' their remaining accumulated fund.

Note, in order for the recipient of death benefits to receive the payments on a Flexi Drawdown basis, they must be either a dependent of the deceased or have been nominated by them as a beneficiary. In the absence of this, only the lump sum payment option is available.

DISCLAIMER

This brochure contains generic details of the SSAS Practitioner.com Small Self Administered Scheme (SSAS). Full particulars of the scheme can be found in its own Trust Deed and Rules.

The legal and tax implications of the SSAS are believed to be correct at the time this brochure was prepared. No responsibility is accepted for any inaccuracies.

SSAS Practitioner.com act as practitioner to the SSAS, providing administration and tax compliance services. SSAS Practitioner.com are not responsible for providing any advice to you in respect of the suitability of the SSAS for your needs or the suitability of any proposed investments. You should take independent financial advice. It is your responsibility to carry out your own due diligence on any Independent Adviser appointed.

You are free to choose your own investments subject to legislative limitations. However, if you intend for the SSAS to invest in 'esoteric' non-FCA regulated investments, we strongly recommend obtaining regulated financial advice before proceeding. There is the possibility that certain investments can prove to be worthless.

SSAS Practitioner.com are not a Trustee of the scheme and as such are usually not a signatory to its bank account or investments. If we were a signatory, that in itself would not provide any safeguards against the suitability of investments for you in any event.

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