Barnett Waddingham
Self Invested Pensions

A GUIDE TO SSAS

JULY 2010

CONTENTS

STOP PRESS JUNE 2010 – BUDGET UPDATE

Please note that if you reach age 75 on 22 June 2010 or later then you can continue to draw benefits and have death benefits paid under the Unsecured Pension rules, rather than the Alternatively Secured Pension rules, until you reach age 77. This is an interim measure before the Government alters the age 75 rules in 2011/12. You will, though, have to start drawing benefits before age 75 including any lump sum.

The Government is also consulting on the changes to tax relief due to come in on 6 April 2011 for High Income Individuals though no specific details are known at the time of writing (28 June 2010).

INTRODUCTION

What is a SSAS?

A Small Self-Administered Scheme (SSAS) is a particular type of pension scheme that is often used by business owners as a means of saving for retirement whilst retaining more control over the use and investment of monies than is usually the case in other types of pension arrangement.

A SSAS is often used as a more flexible alternative to a Self-Invested Personal Pension plan (SIPP), particularly where there is likely to be more than one person saving for retirement.

How is a SSAS structured?

A SSAS is a specific form of trust, established by an employer, which can be registered with HM Revenue & Customs (HMRC) as a UK registered pension scheme. This allows it to have the same favourable tax treatment as any other registered personal pension in the UK.

A SSAS is usually, but does not have to be, set up on a money purchase basis. This means that the benefits paid to its members are based on the value of their accrued funds, built up as a result of contributions, transfers in and investment returns received on those monies.

One important feature of a SSAS is that its members would typically all be trustees and can direct how their pension monies are invested, within certain parameters. This means that a SSAS has certain exemptions from pension legislation not applicable to other pension schemes.

What makes a SSAS different from other pension schemes?

As the members act as trustees, they are more involved in the day-to-day administration of the pension scheme, which is why SSASs are termed "self-administered".

A SSAS may interact with the sponsoring employer(s) in a number of ways. The trustees may lend money to a sponsoring employer, lease commercial property to a sponsoring employer, own an asset with a sponsoring company, and even own shares in a sponsoring employer.

A SSAS is not tied to a particular provider: it is a scheme in its own right and the trustees can choose where to invest their monies, who will prepare financial statements and how to operate benefit payments.

Who can have a SSAS?

A SSAS is set up by an employer, usually for its business owners, directors or key personnel. Although there is no age limit for members, there is in practice a minimum age of 18 as members should act as trustees. An employer can set up more than one SSAS.

BARNETT WADDINGHAM

Tell me about Barnett Waddingham LLP

Barnett Waddingham LLP is the UK's largest independent firm of actuaries. We have a team of over 30 SSAS specialists, spread over five offices: Amersham, Cheltenham, Glasgow, Leeds and Liverpool.

What does Barnett Waddingham offer to SSASs?

We offer cradle to grave services for SSASs. We can meet with businesses interested in setting up a SSAS and their advisers, provide the trust documentation and other paperwork to establish the SSAS, register it with HMRC, provide a professional trustee to act alongside the member trustees, manage the day-to-day administration, organise retirement and death benefits and close down the scheme once it has served its purpose.

What are your fees?

We generally charge on a time-cost basis, though there is a fixed fee for setting up a trust and a minimum annual fee where we act as professional trustee.

These fees are reviewed each year in June and the latest fee sheet can be downloaded from our website, at www.barnett-waddingham.co.uk/ssas

Our charges would normally be met by the sponsoring company but fall upon the SSAS if the company fails to pay, or if there is no such company.

What is your commitment to SSASs?

We have been involved in the self-invested pensions market for the whole of our 20+ year history and we remain a strong supporter of such pension arrangements. We continue to manage one of the largest portfolios of SSASs in the UK.

Can you provide investment or financial advice?

Whilst Barnett Waddingham LLP cannot provide regulated investment or financial advice concerning a SSAS to either the trustees or the members, our associated company, Barnett Waddingham Investments LLP, may be able to help. Please ask for further details if you are interested.

We are also happy to work with other professional advisers to implement investment decisions.

ADMINISTRATION

How do I set up a SSAS?

Trust documentation is required which the employer and initial trustees will need to sign. We will provide this for you.

The trust will need a bank account to receive monies and we can also help with this.

The trust will need to be registered with HMRC before contributions or transfers are received. We will arrange this as part of the set up process.

Who can I appoint as trustees?

We recommend that all members be appointed as trustees and that you also appoint our professional trustee company. Although this is not mandatory, the member trustees are likely to be lay persons so it helps to have a trustee who is aware of the specific requirements that apply to pension trusts.

What work is involved in running a SSAS?

The trust finances have to be managed, meaning that the trustees are responsible for dealing with income, expenditure and investment transactions.

Further, there are specific reporting requirements that apply to pension trusts, such as notifications to members, reports to HMRC and dealing with the Pensions Regulator.

Who would perform the day to day management?

The scheme administrator would deal with day to day management. The scheme administrator can be any person or company but it is usual for the trustees to carry out this role, which they may delegate to a managing trustee or a professional trustee.

How do I know what my pension fund is worth?

The trustees should ensure that there are financial statements prepared every year setting out how much the fund is worth in total, and supplement this by allocating the total fund between the members. We can assist with the calculation of the allocation. The financial statements can take the form of a simple balance sheet, more formal accounts or even audited accounts depending on the trustees' requirements.

In between accounting periods, the scheme administrator can commission informal updates.

What if my circumstances change?

Any member can transfer their assets to another pension scheme or buy an annuity with their fund if they no longer want to be part of a SSAS.

The SSAS itself can be wound up once all members' benefits have been transferred elsewhere or secured by the purchase of an annuity contract.

There are costs involved in closing the trust and reporting its closure to the various interested parties.

Where can I find out more about HMRC requirements?

HMRC issues an online manual at www.hmrc.gov.uk/manuals/rpsmmanual.

This manual provides information for scheme members, scheme administrators, sponsoring employers and more technical details. The manual provides a useful starting point but is not always kept up-to-date.

More general information can be found at the HMRC pension schemes website at www.hmrc.gov.uk/pensionschemes.

CONTRIBUTIONS

How much can be contributed?

There are no HMRC limits to the amount of contributions that can be made either by the members themselves or the employer. Contributions can be made even if you have started drawing benefits from the scheme, though you cannot fund contributions by using your retirement lump sum.

However, there are limits to the amount of tax relief that you can receive on personal contributions, and there may be a tax charge of 40% if your pension input during a year for all pension arrangements is more than the Annual Allowance, currently £255,000. Pension input includes contributions to money purchase schemes and accrual within final salary schemes.

Generally, it is employers rather than members who make contributions to SSASs.

Why is this?

Employer contributions are paid gross directly from the company and so the gross funds are available immediately for investment and there is no National Insurance applicable.

Personal contributions are paid out of taxed income which gives rise to National Insurance. Furthermore, even if personal contributions are paid in gross, the member has to fund the tax relief until it is claimed through self-assessment.

How much can an employer contribute?

Employer contributions are paid on a gross basis and so tax relief is granted by the local HM Inspector of Taxes if those contributions are incurred wholly and exclusively for the purposes of the employer's business. Tax relief can be spread in certain situations.

There is no specific salary-related limit to how much an employer can contribute.

What are the limits for personal contributions?

If you are resident in the UK you can usually contribute up to 100% of your relevant UK earnings (or £3,600 if this is higher) in any one tax year and receive tax relief.

Personal contributions can be paid net of basic rate tax, in which case the pension scheme administrator will need to reclaim any basic rate tax relief for which you are eligible from HMRC. Alternatively, personal contributions can be paid gross, in which case any tax relief would have to be claimed via self-assessment.

Tax relief is not available if you are 75 or over.

What are relevant UK earnings?

For most people, this is employment income taxable in the United Kingdom and income which is chargeable under Schedule D.

What if I am a higher rate taxpayer?

If you are a higher rate taxpayer and only basic rate relief has been claimed by the scheme administrator then you can usually claim the balance of tax relief through self-assessment.

What if I am a High Income Individual?

Tax relief could be restricted for High Income Individuals as announced in the Budget 2009. The main restrictions apply from 6 April 2011, but there are transitional rules applying before then.

What is a High Income Individual?

A High Income Individual is generally someone who has relevant income of £130,000 or more. The definition of relevant income is complex and you should refer to your accountant or financial adviser for full details if you are concerned, but you should be aware that relevant income includes all taxable income whether employment income or investment income.

From 6 April 2011, the definition also includes employer pension contributions.

What is the impact of being a High Income Individual?

From 6 April 2011, tax relief on pension contributions will be restricted for High Income Individuals.

For those with income of £150,000 or over but below £180,000, tax relief on pension contributions will reduce gradually from marginal rate to basic rate as income increases.

Where income is £180,000 or over, tax relief on pension contributions will be restricted to basic rate. Until then, there are transitional rules designed to stop High Income Individuals from making additional contributions over and above their usual pattern of contributions in advance of the 2011 change.

If you are unsure, you should consult your financial adviser.

What is the Special Annual Allowance?

The Special Annual Allowance applies in 2010/11 and is £20,000 for most High Income Individuals but possibly augmented to up to £30,000 for those who have paid sufficiently large "one-off" contributions in the previous three tax years.

Like the Annual Allowance, the Special Annual Allowance is per individual rather than per pension arrangement. The Special Annual Allowance is used up by any contributions made in that tax year. Once used up, additional contributions are subject to the Special Annual Allowance Charge of 20% which is collected through self-assessment.

It is your responsibility to determine whether you are a High Income Individual and to report to HMRC any contributions that are subject to the Special Annual Allowance Charge.

Are there any other tax charges that might apply?

You may have to pay 40% tax through self-assessment if your total pension input for a year across all pension arrangements exceeds the Annual Allowance (currently £255,000) even if you are not a higher rate tax payer.

Can contributions be made for me if I have Enhanced Protection?

Enhanced Protection was available to individuals with sizeable pension assets at 5 April 2006 who wished to protect themselves from certain tax charges which may apply thereafter. An application for Enhanced Protection had to be made by 5 April 2009 to HMRC.

If you or your employer pays contributions you will lose your Enhanced Protection. You should also not set up a new pension arrangement other than to receive a transfer from an existing pension arrangement. This includes setting up life cover for your SSAS.

CONTRIBUTIONS CONTINUED

Can contributions be paid in the form of property or shares?

Yes, but you should seek specific advice before proceeding. Contributions of this type are only tax efficient if documented in a certain way. There are additional costs involved with this type of contribution compared to making cash contributions.

Can I contract out of the State Second Pension through a SSAS?

This is discouraged due to the significant additional administration burden of contracting-out and the restrictions it would place on the flexibility given to SSASs.

Can Barnett Waddingham give me advice on what contributions to pay?

We can provide you and your advisers with generic information. If you need advice, we can introduce you to an adviser from our associated company, Barnett Waddingham Investments LLP.

TRANSFERS

Can I transfer existing pension benefits into a SSAS?

Yes, provided these are from another registered pension scheme and do not contain Protected Rights (funds built up from contracting-out of the State Second Pension – see below).

Transfers can be received even if you have drawn benefits from the other scheme, in which case the maximum income limit will be the same as in the transferring scheme. There may be restrictions if you are under age 55.

There is no tax relief on transfers from a registered pension scheme and they do not count towards the Annual Allowance.

Can I transfer in Protected Rights?

SSASs are not generally set up to be able to receive Protected Rights and so this would not be possible. However, we expect that Protected Rights funds will be treated as any other pension savings from 6 April 2012 and, from then on a transfer could take place.

Can I transfer my existing SSAS to Barnett Waddingham?

You could set up a SSAS using our standard documentation and then transfer the assets across.

Alternatively, our trustee company could act as the professional trustee to your existing scheme, replacing the incumbent professional trustee if there is one.

You could just use us as a practitioner for the scheme whereby we would complete returns on behalf of the trustees without actually being appointed as a trustee. Whilst this is potentially easier to set up, we do find that errors (which result in tax penalties) are more likely to result where there is no professional trustee.

Can you give me advice on whether to transfer?

We are happy to work with your advisers to implement any decisions you have made. If you do not have an adviser, we can introduce you to one from our associated company, Barnett Waddingham Investments LLP.

INVESTMENTS

How can the SSAS be invested?

The powers that SSAS trustees have to invest are set out in each individual scheme's trust documentation. This may give the trustees the power to invest in most assets, but it should be noted that the overriding legislation will tax certain investments.

This section sets out details of tax-efficient investments, which are known as acceptable investments, and tax-inefficient investments, known as non-acceptable investments.

Can the trustees hold cash?

Yes, and in fact a current account will be needed to take care of miscellaneous benefit and expenditure, as well as to receive contributions.

Where we act as professional trustee, we prefer the SSAS to set up a current account with Bank of Scotland as we have a good working relationship with them and have the facility to view account balances and transactions in 'real time'.

The member trustees will need to ensure that there are sufficient funds available to meet the day to day expenses of the scheme, for example administration fees, mortgage payments and income payments.

What are the other acceptable investment options?

Acceptable investments include:

- Bank and Building Society deposit accounts
- Stocks and shares
- Unquoted shares*
- Commercial property and land
- Trustee Investment Plans and bonds
- Executive Pension Plans
- Loans to the sponsoring employer*
- Third party loans
- Hedge Funds

- Unit Trusts / OEICS
- Investment grade gold bullion
- Traded Options
- Financial and Commodity Futures
- Copyrights

*(subject to certain criteria)

Investments can be made in the UK or overseas, and can be made jointly with other investors if need be.

Your SSAS can buy or sell assets from/to you, your family or your business, provided the transaction takes place at market value.

Whilst a SSAS can be a member of a property investment LLP, income and capital gains are subject to income tax and capital gains tax accordingly.

What are the non-acceptable investments?

Direct or indirect investment into the following non-acceptable assets should be avoided:

- Residential property
- *Tangible moveable property
- Loans to members or their relatives
- Investments that are viewed as trading activities

Ground rents relating to residential property are treated as residential property.

*Tangible moveable property includes:

- Plant and machinery
- Vintage cars and yachts
- Works of art, stamps, antiques, fine wine

Residential property and tangible moveable property are classified as "taxable property" and subject to tax charges. More details are given later.

Tax charges may also arise if loans are made to sponsoring employers that do not qualify as authorised employer loans, or if the SSAS uses too much of its funds to purchase shares in sponsoring employers.

What are the criteria for an employer loan?

An authorised employer loan has to satisfy certain key criteria in relation to amount, security, interest rate, term, and repayment terms.

Total employer loans cannot exceed 50% of the net assets of the SSAS at the time advances are made. Loans must be secured by a first charge of adequate value. The interest rate must be a minimum of 1% over base rate, though during periods of low interest rates, a higher rate might be viewed as more appropriate.

The term of an authorised employer loan should be no more than 5 years, and can only be extended once and only if the borrower is experiencing genuine financial difficulties.

An authorised employer loan must be repaid in equal instalments of capital and interest for each complete year of the loan.

Failure to adhere to these terms could incur tax penalties for the SSAS and the borrower.

What are the limits on buying shares in the sponsoring employer?

The SSAS can invest up to 5% of its net assets in shares in a sponsoring employer or connected companies, and can invest no more than 20% of its net assets in such shares.

The shares will need to be purchased at a price backed up by an independent valuation – which could be prepared by the company's accountant, but not the company's in-house accountant.

Can the trustees borrow money to fund investments?

The trustees can borrow from any commercial lender of their choice (or from the employer or a member).

There is a limit on how much can be borrowed by the trustees: maximum borrowing including any existing borrowing must not exceed 50% of the net value of the SSAS each time any borrowing takes place.

What are the rules for buying the company's premises?

The transaction would have to happen at market value, as though it were an arm's length transaction, and would go through a proper conveyance. The usual Stamp Duty Land Tax and VAT considerations would apply.

To evidence the market value, there should be an independent property valuation supporting the transaction price.

What are the rules for leasing premises to the company?

The lease terms would have to reflect commercial terms available in the market and this requires an independent rental valuation supporting the annual rent and terms of the lease.

What are the consequences of investing in taxable property?

If a SSAS is holding, either directly or indirectly, taxable property then there are tax charges on the purchase price, tax charges on the income (or deemed income) and tax charges on the capital gains. These tax charges outweigh the benefits of getting tax relief on contributions to pension schemes and therefore ownership of taxable property should be avoided.

INVESTMENTS CONTINUED

What is an indirect holding of taxable property?

If a SSAS holds an interest in an entity, such as owning share capital of a company, which itself owns taxable property, then the SSAS is treated as owning the whole or part of that taxable property.

Are there any exemptions of indirect holdings of taxable property?

Indirect investments held through genuinely diverse commercial vehicles will not be subject to tax charges when held as a scheme investment. HMRC lists three categories of genuinely diverse commercial vehicle: UK REITS, Trading Concerns and "other kinds of vehicle".

Certain conditions still need to be met and so specialist advice should be taken.

What if I have an existing SSAS which already holds taxable property?

Transitional protection may be available in certain circumstances, but will be lost if, for example, that taxable property is added to or improved.

Can I use assets owned by the SSAS for my personal use?

As most assets that might be suitable for personal use qualify as taxable property (e.g. holiday homes, cars), it is unlikely that this opportunity will occur. However, if it does, the SSAS member will have a tax charge on the benefit in kind cost if the member does not pay the market rate for the use of the asset.

What is meant by residential property?

HMRC sets out that residential property can be in the UK or elsewhere and is:

- a building or structure that is used or suitable for use as a dwelling;
- any related land that is wholly or partly the garden for the building or structure;
- any related land that is wholly or partly grounds for the residential property and which is used or intended for use for a purpose connected with the enjoyment of the building;
- any building or structure on any such related land;
- in limited situations a hotel, which includes an inn, or similar accommodation, will be counted as taxable property though this will only be where it provides accommodation rights such as timeshare;
- a beach hut.

Are there any exemptions as to what is residential property?

HMRC has clarified that a building used for any of the following purposes is not residential property:

- a dedicated children's home or other institution providing residential accommodation for children;
- a hall of residence (not flats) for students;
- a home or other institution providing residential accommodation with personal care for persons in need of personal care by reason of old age, disability, past or present dependence on alcohol or drugs or past or present mental disorder;
- a hospital or hospice;
- a prison or similar establishment.

If a building is not currently in use then if it was last used for one of the non-residential purposes set out above then it is not treated as residential property. If the building has never been used and is more suitable for one of the uses specified above than for any other purpose it is not treated as residential property regardless of its suitability for use as a dwelling.

Furthermore, certain "job-related" accommodation will not be treated as residential property.

What is "job-related" accommodation?

There are two categories of "job-related" accommodation:

The property is (or, if unoccupied, is to be) occupied by an employee who:

- is neither a member of the pension scheme nor connected with such a member,
- is not connected with the employer, and
- is required as a condition of employment to occupy the property.

An example is a caretaker's flat.

The property is (or, if unoccupied, is to be):

- occupied by a person who is neither a member of the pension scheme nor connected with such a member, and
- used in connection with business premises held as an investment of the pension scheme.

An example is a pub with landlord living above.

How are the investments cashed in to pay benefits, fees or other costs?

The member trustees should give instructions to sell investments, which would be countersigned by the professional trustee (if applicable).

How do the trustees arrange for investments to be made?

The member trustees select the investments and liaise with the investment provider (or their investment adviser) to obtain appropriate investment forms for a trust to invest. These forms should be completed and sent to the professional trustee (if applicable) for verification.

Are there any penalty tax charges relating to investments?

Yes, if an unauthorised payment is made - e.g. if there is excessive borrowing, if investment transactions are not carried out at market rate or if rent is not paid when due by a connected tenant.

The trustees must report all unauthorised payments to HMRC and the tax charge on you personally/your company would usually be 40% to 55% of the payment and your SSAS would be subject to a further minimum tax charge of 15% of the payment.

Are there any other general investment points to be aware of?

Pension schemes could be subject to tax on trading profits where HMRC deems the pension scheme to be trading. There is no definition of what constitutes trading, but investing the fund in such a way that the fund is operating as an investment company might incite this.

Can you give the trustees advice on investments?

We are happy to work with the trustees' advisers but if there is no adviser we can introduce you to our associated company, Barnett Waddingham Investments LLP.

RETIREMENT BENEFITS

When can I take benefits?

You can start to take retirement benefits from age 55 but no later than age 75. If you are in serious ill health, or in a recognised qualifying occupation, you may be able to take benefits earlier.

How are my benefits worked out?

Your benefits are based on the value of your share of the SSAS fund. At retirement, you would normally be entitled to draw part of this fund as a retirement lump sum and the balance would be used to provide you with pension income. The lump sum is a tax-free benefit whereas the pension would be taxed as income.

Can I have a lump sum?

This is now known as a pension commencement lump sum. You will usually be able to take up to 25% of your SSAS fund (if under your available Lifetime Allowance) as a pension commencement lump sum which is tax-free. This must be paid before your 75th birthday.

If you have registered with HMRC for Enhanced or Primary Protection or have a protected lump sum then different rules apply on the amount of your pension commencement lump sum and you should seek specific confirmation. The lump sum is normally tax-free. There may be an additional tax charge levied by HMRC if you use this lump sum to increase your normal pension contributions.

Can I receive an income?

Yes, either by purchasing an annuity and/or by drawing an income from your fund ("income drawdown") and/or by having the trustees provide you with income ("Scheme Pension").

The level of annuity is decided by the insurance company you select to provide the annuity.

The level of income drawdown is set by HMRC. Different rules apply if you are under or over age 75. If you are under age 75, income drawdown is known as Unsecured Pension. If you are 75 or over, income drawdown is known as Alternatively Secured Pension.

The level of Scheme Pension is decided by the trustees.

What is the maximum amount of benefit I could have?

There is no limit on the overall value of your fund within a SSAS. However, if the total value of all your registered pension schemes exceeds the Lifetime Allowance (currently £1.8 million) then a tax charge may apply on the excess amount above the Lifetime Allowance.

What is the Lifetime Allowance?

Your SSAS fund will be assessed against the Lifetime Allowance when you take benefits and again when you buy an annuity or reach age 75. Each time you take new benefits a portion of the Lifetime Allowance is used up.

Once you have used up your Lifetime Allowance, any subsequent benefits taken will be subject to a Lifetime Allowance Charge. This is 25% of the excess above the Lifetime Allowance if the funds are taken as regular income, and the income is also subject to Income Tax. If the funds are taken as a lump sum the effective Lifetime Allowance Charge is 55%.

RETIREMENT BENEFITS CONTINUED

The trustees must deduct this charge before paying any benefits. If you had pension funds accrued before 6 April 2006 and have registered for protection, this may reduce or eliminate any Lifetime Allowance Charge that may be payable.

When can I purchase an annuity?

You can purchase an insured annuity at any time after you are able to access benefits with all or part of the value of your SSAS fund. You would choose the insurance company. Annuity purchase will trigger a check against the prevailing Lifetime Allowance (see "What is the Lifetime Allowance?" above).

You will be able to select an annuity taking account of some or all of the following:

(a) to provide level or increasing income payments

(b) to provide an annuity for your life only or to include a provision for your spouse, civil partner or dependant

(c) to be paid for a guaranteed minimum term even if you do not survive to the end of that term

(d) your health.

An annuity will pay you an income for the rest of your life. It provides certain security over the income rather than the flexible, but not guaranteed, future benefits provided by Unsecured Pension, Alternatively Secured Pension and Scheme Pension (see below).

If you purchase an annuity with the full value of your SSAS fund, you will have no further benefits in your own name under the SSAS, but may be able to continue as a trustee, with the agreement of the other trustees.

How does Unsecured Pension work?

If you are receiving Unsecured Pension income you still have full flexibility over your chosen investments.

If you are under age 75, the maximum income is calculated as 120% of the annuity your fund would provide, calculated using Government Actuary's Department (GAD) rates.

These rates take account of your age and yields on fixed interest government stock ("gilts") at the time of the calculations. The maximum income is calculated when each part of your fund comes into payment and again at 5 yearly intervals. You can request an interim review on an anniversary of the date you capitalised your retirement benefit. There is no minimum income payment.

It is up to you how and when you use up your maximum income allowance but you cannot exceed the maximum during any pension year – meaning that you cannot have an additional payment if you drew less than the maximum one year.

How does Alternatively Secured Pension work?

If you are receiving Alternatively Secured Pension income you still have full flexibility over your chosen investments.

If you are age 75 or older, the maximum income is 90% of the GAD annuity rate for a 75 year old and there is a minimum level of 55%. The income levels will be reviewed annually but will always be based on annuity rates for a 75 year old. It is up to you how and when you use up your maximum income allowance but you cannot exceed the maximum during your pension year tax efficiency and you have to draw at least the minimum amount.

How does Scheme Pension work?

Scheme Pension can be offered by the trustees as an alternative to an annuity or income drawdown. The trustees will offer you a pension income from the trust or a fund to purchase an annuity. It is up to you to decide whether to accept the Scheme Pension offer.

The Scheme Pension will be paid on a regular basis and the trustees will decide how to invest the fund backing your Scheme Pension.

Is pension income subject to tax?

Pension income, whether from annuity, income drawdown or Scheme Pension, is treated as earned income and taxed under the PAYE system.

A PAYE scheme should be set up for the SSAS in its own right. The trustees can outsource the PAYE to another company or we can run the payroll on behalf of the trustees.

Do I have to purchase an annuity when I reach age 75?

No, but you must start drawing your pension from age 75, if you have not done so already. Also, your benefits are checked against the Lifetime Allowance at age 75 and any excess may be subject to tax (see "What is the Lifetime Allowance?" above).

Your maximum pension is then recalculated on the Alternatively Secured Pension basis. You can still choose to purchase a lifetime annuity at any time.

Can Barnett Waddingham LLP give me advice on what benefits to take?

Our consultants will be able to detail the various benefit options available to you, but they will not be able to advise which option is the best for your personal circumstances.

We are happy to work with your advisers to implement any decisions you have made or can introduce you to an adviser from our associated company, Barnett Waddingham Investments LLP.

DEATH BENEFITS

What happens if I die before taking benefits?

Funds up to the Lifetime Allowance can be paid as a lump sum to your beneficiaries. This payment would normally be free of Inheritance Tax (IHT) although if you defer drawing benefits while terminally ill, HMRC may seek to impose IHT on the fund.

Alternatively, a pension can be paid to your financial dependants. When deciding the recipients of your death benefits the trustees will take into account any wishes you have expressed to them. Any value above the Lifetime Allowance will normally be subject to a deduction for tax.

What happens if I die before age 75 and I am drawing Unsecured Pension?

If you die before age 75 the value of your share of the fund will be available to your beneficiaries. Your entire remaining fund value may be paid out as a lump sum, less tax at 35%, or may be used to pay a taxable income to your spouse and/or civil partner and dependants. Again the Trustees will take into account any wishes you have expressed.

What happens if I die after age 75 and I am drawing Alternatively Secured Pension?

If you were receiving Alternatively Secured Pension, no tax efficient lump sum death benefits can be paid (except to a registered charity). Your funds must first be used to provide a pension for a surviving spouse, civil partner or dependant either through income payments or purchase of an annuity. If there are no such dependants, or on your dependant's death, funds could be paid to a nominated charity and will be exempt from taxes.

Alternatively, the trustees could make an unauthorised lump sum payment out of the scheme or reallocated the residual funds to other members of the SSAS. This would be subject to penal tax charges as well as IHT. The total tax charge could be as high as 89.2%.

What happens if I die and I am receiving Scheme Pension?

The benefits paid will depend on the death benefits agreed with the trustees as part of their Scheme Pension offer to you. This may include continued payment of income for the remainder of a set term, payment of a dependant's income, and if you die before age 75, a lump sum subject to 35% tax.

On death after 75 while drawing Scheme Pension, if you have no dependants, or alternatively on the death of the dependant, residual funds are taxed in the same penal way as residual funds under Alternatively Secured Pension, except that there is no facility to pay the monies to a registered charity tax efficiently.

Is the SSAS written under trust?

Yes, the SSAS is a trust in its own right and the members act as trustees.

FURTHER INFORMATION

If you would like further information, please contact Barnett Waddingham LLP at the address given.

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