

GUIDE TO SSAS



Introducing SSAS from InvestAcc

What is a SSAS?

A Small Self-Administered Scheme (SSAS) is a special type of pension scheme for SME owners, allowing you to provide for your retirement in a way that can also be beneficial to your business.

We offer a full SSAS service for employers who want to establish a new scheme, or those looking for help with an existing one.

How does it work?

Each SSAS is established using a trust deed which deals with the creation of the scheme by the sponsoring employer, appointment of trustees and defines the scheme rules.

The trustees' primary role is to look after the scheme assets. A professional trustee assists in the smooth running of the scheme.

A scheme administrator must be appointed; they will register the scheme with HM Revenue & Customs (HMRC) and provide event reports and other information to HMRC from time to time, including an annual pension scheme tax return.

Once registered status has been obtained, the scheme must also register with The Pensions Regulator (if there are two or more members) and the Information Commissioner's Office.

A trustee bank account will be opened to deal with all financial transactions such as receiving contributions and transfers, paying benefits, and for buying and selling investments.

For schemes with more than one member, all investments will be made on a pooled basis, meaning that all growth, losses and expenses are shared between you in proportion to your interest in the total scheme assets.

Money held in the scheme is invested to provide retirement benefits which can be drawn at any time from age 55 under current rules, although the earliest retirement age increases to 57 on 6th April 2028 and may rise again in the future.

Who can have a SSAS?

To create a new SSAS there needs to be an actively trading sponsoring employer. Membership of the SSAS will typically be restricted to the directors of the sponsoring employer, and any other participating employer.

Each member will be appointed as a managing trustee and trustee decisions relating to the scheme must be made by unanimous agreement. The regulations prevent there being more than 11 members in total. The requirement for members to be trustees means they must be aged over 18 and have the legal capacity to be a trustee.

What can it do?

With registered status, your scheme qualifies for generous tax incentives including tax relief on employer contributions (within limits), tax-advantaged growth on scheme assets and a tax-free lump sum of up to 25% of the value of your pension savings (or your Lump Sum Allowance, if lower) from age 55 onwards under current rules.

The scheme assets may be invested in a variety of ways, many of which can also be of significant benefit to your business. Certain transactions with connected parties are possible, provided they are commercial in nature and compliant with the relevant legislation.

In addition to more straightforward investments, funds may also be invested in assets linked to the business such as commercial property, land and loans to the sponsoring employer or a participating employer.

What are pooled investments?

For a SSAS with more than one member, all investments are made on a pooled basis. Each member's share of the scheme is based on their relative proportion invested. Any payments to or from the scheme will result in an adjustment to each member's share of the pooled investments. Examples of such payments include, but are not limited to, contributions, transfers in or out, and benefit payments.

All investments under our SSAS schemes are deemed to be pooled investments, unless we have agreed to notionally earmark certain investments to specific members, which will result in additional charges. See our SSAS Guide to Services and Fees for more details.

Why would I be interested?

A SSAS may be beneficial if you want to provide for your retirement using a bespoke scheme with wider investment options and control.

Note that alternative types of pension scheme may also meet your requirements, you should speak to a financial adviser who can help you decide whether a SSAS is right for you.

Many choose SSAS because of the loanback facility, which is not available under any other type of registered pension scheme.

Why we are experts

We have been operating in the self-invested pensions market for over 25 years and have built an enviable reputation for knowledge, expertise and customer service. We provide trustee and administration services to over 12,000 customers in the UK, with combined scheme assets exceeding £4 billion.

Our customer base has increased at a rate that allows us to deliver the high quality, personal service on which our reputation is based.

We have an excellent track record of interpreting HMRC regulations to avoid investments likely to attract unauthorised payment tax charges. For our SSAS customers we usually act as both scheme administrator and professional trustee; some of our competitors refuse to take on these roles, leaving you with the significant responsibility that this entails.

Providing a loan to your business (loanback)

A SSAS may make loans to the sponsoring employer on terms which are commercial in nature.

We have seen many SSAS customers use this facility to provide a secured loan for their business, when the opportunity to expand comes along, on terms which are attractive but do not require the approval of the bank manager.

The loan may be for up to 50% of the net asset value of the scheme, for a maximum period of 5 years, on a repayment basis with interest payable at the market rate (which can be no less than 1% over base rate), secured by way of a first legal charge over tangible asset(s). The borrower's interest payments are usually an allowable business expense and do not count towards contribution allowances.

We have lots of experience in ensuring these arrangements meet HMRC's requirements and many of our customers have found that having this facility in place, supported by our expertise, has been invaluable when the right business opportunity comes along.

Commercial property and land

Your SSAS may invest in commercial property and land which may be leased to third party tenants or a connected party such as your own business.

Rent paid by the tenant to the pension scheme will typically qualify as a tenant's business expense. Any rent received by the pension scheme does not count as a contribution. Growth in the value of the property whilst owned by the pension scheme is not subject to tax.

To assist with a purchase the SSAS trustees may borrow up to 50% of the net value of the scheme assets from any lender, which could be you or your business, provided the loan is on commercial terms.

Your pension scheme will need to appoint a solicitor to conduct the purchase of commercial property and to review existing leases or create new ones. We have a panel of solicitor firms that we know are very experienced in these transactions, alternatively you may nominate a firm of your choice.

Unlisted shares

A SSAS may invest up to 5% of scheme assets in the shares of the sponsoring employer. It can also invest in the shares of unconnected companies.

This is a particularly complex area and holding shares in this way may trigger tax liabilities and expensive company valuations. Investments in unlisted shares will often result in a total loss of the investment. For these reasons, we only consider unlisted share investments on a case-by-case basis with a positive recommendation from a suitably qualified financial adviser or investment manager.

Review and takeover of an existing scheme

If you already have a SSAS scheme and need to appoint or replace a professional trustee, you may wish to consider our SSAS review service.

Provided your scheme meets certain criteria then we can update your scheme rules and be appointed as scheme administrator and professional trustee.

Bank account

A SSAS requires a specially designated trustee bank account for financial transactions such as receiving contributions or making investments.

Increasing regulations and concerns about fraud means that many banks have become reluctant to offer trustee bank accounts. Using our experience and expertise we will help you establish a suitable account with our preferred bankers, avoiding the hassle and speeding up the process.

Contribution limits

Once the scheme trustees have opened a bank account then the scheme will be able to accept contributions from the sponsoring employer (and any participating employers) and the scheme members.

Contributions and tax reliefs are limited by various mechanisms in the UK:

- There is an Annual Allowance of up to £60,000 (2023/24 onwards). You may be able to carry forward unused allowance from the previous three years (up to £40,000 for 2021/22 and 2022/23), provided you have been a member of a registered pension scheme in those previous years and have not triggered the Money Purchase Annual Allowance (see later).
- For 2023/24 onwards, the standard Annual Allowance of £60,000 may be reduced by tapering for those with both threshold income over £200,000 and adjusted net income (including personal and employer contributions) of £260,000 or more. In these cases, the normal annual allowance will be reduced by £1 for each £2 of income above £260,000 subject to a maximum reduction of £50,000 meaning a minimum allowance of £10,000.
- For tax years 2020/21 to 2022/23, threshold income was £200,000 and adjusted net income was £240,000. In these cases, the standard Annual Allowance of £40,000 is reduced by £1 for each £2 of income above the adjusted net income excess, subject to a maximum reduction of £36,000 in the relevant tax year, meaning a minimum allowance of £4,000.
- Members who have started to withdraw taxable pension income using a flexible option may be subject to the reduced Money Purchase Annual Allowance of £10,000 (2024/25) with no option to carry forward allowances.
- Anti-recycling rules apply where contributions have been made or increased as a result of a withdrawal of a tax-free cash lump sum from pension savings.
- Exceeding available allowances will result in a liability for an Annual Allowance Tax Charge, which applies your highest marginal rate of income tax to the excess contributions paid in the tax year. There is no Annual Allowance Tax Charge for contributions paid in the tax year in which you die or receive a Serious Ill Health Lump Sum.
- There is an overall limit on personal contributions of 100% of relevant UK earnings during the tax year.
- Although employer contributions are not limited, the extent to which they may receive tax relief will be affected by HMRC's view as to whether they were wholly and exclusively for the purposes of the employer's trade.
- Employer contributions above £500,000 may be subject to spreading of any corporation tax relief over two or more financial years.
- For those with no relevant UK earnings, they may be eligible for the basic amount of £3,600 contribution.
- Tax relieved personal contributions are only permissible prior to age 75.

Due to the complexity around contributions and relevant tax-free allowances, you should seek the advice of a regulated financial adviser or your accountant. We do not provide advice.

Note that it is possible to set up the scheme without any contributions at all, with funds provided by transfers instead.

Transfers

Members may elect to transfer funds from other UK registered pension schemes, increasing the value of the SSAS funds. For new SSAS schemes, there may be a delay in transfer whilst the ceding pension scheme makes enquiries as to the scheme's status and purpose.

Note that transfers into your SSAS which include safeguarded benefits will require the advice of a suitably authorised financial adviser.

Security

As the SSAS is a separate legal entity to the sponsoring employer, this allows pension savings to be kept separate from your business.

We will usually be appointed as a professional trustee of your pension scheme. To provide additional security, we have separate trustee and administration companies, allowing assets to be ring-fenced from our trading company.

All trustee decisions need to be made in accordance with the Trust Deed and Rules. Note that there may be times when the Trustees are required to meet, and all meetings and decisions must be properly held and recorded.

Investments

The SSAS trust deed and rules convey investment powers to the trustees. There is an obligation under Pensions Act 1995 for all trustees to receive professional advice when making investment decisions, and a need to consider diversification of investments.

Please see our 'SSAS Permitted Investments' on our website.

Scheme fees

InvestAcc provides services to the scheme trustees, in line with our latest 'SSAS Guide to Services and Fees'. Also, your SSAS will need to be registered with The Pensions Regulator and the Information Commissioner's Office; their fees and ours can be paid either from scheme assets or directly by the sponsoring employer.

Benefits

Our SSAS arrangements allow you to withdraw benefits directly from the fund, currently from age 55 onwards, rising to age 57 on 6th April 2028, or earlier in certain circumstances depending on any medical condition which affects your ability to work.

You may usually take a tax-free lump sum of up to 25% of your uncrystallised funds, or the balance of your unused Lump Sum Allowance, whichever is the lower. Income is taxable under PAYE rules and can be regular or one-off payments. If you wish to purchase a secure income, then you can transfer your funds to an annuity provider.

Services provided by your financial adviser

We do not provide advice, but we work with authorised financial advisers around the UK.

There are various ways in which a financial adviser can help you, and we certainly find that this smooths the process of setting up and running the scheme and ensuring compliance with relevant legislation.

A financial adviser should be able to provide services covering some or all of the following areas:

- advice on the suitability of the SSAS, and InvestAcc.
- guidance on the level of contributions and allowances.
- advice on the merits of any pension transfers.
- an assessment of your capacity for loss, and your attitude to risk.
- investment advice, including diversification of investments.
- comparison with other ways of achieving your goals.
- an exit strategy.
- advice on your retirement options.
- advice on passing on your pension, after you die.
- holistic advice, taking into account your other needs and priorities.
- liaison with any other professionals you may appoint, such as solicitor, accountant and investment manager.

You can find a financial adviser using a service like www.unbiased.co.uk

Timescales

Many timescales are outside our control, but you may find the following estimates useful based on our day-to-day experience in normal conditions. Sometimes transactions can be completed much quicker, and sometimes much slower.

TRANSACTION	ESTIMATED TIMESCALE
Establishing a new scheme, with a bank account ready to accept transfers. This will depend on all parties providing a completed application, evidence of identity and expediting the return of the original signed trust deed and bank account application form. Note that scheme registration depends on HMRC who may delay, defer or decline an application for registered status.	6 to 12 weeks This timescale is dependent on parties outside our control, including HMRC.
Putting in place a loan from the pension scheme to the sponsoring employer will require the provision of suitable information and an independent valuation of the asset(s) to be used to provide security for the loan. A solicitor will need to be appointed to put in place the first legal charge, and if relevant to register it. There may be additional delays if the asset is already subject to security which needs to be altered, such as in the case where a bank has a floating charge over all company assets.	3 to 6 weeks (provided the SSAS has already been established)
Purchase of a commercial property will depend on the enquiries made by the solicitor and the time taken by other parties to respond.	8 to 16 weeks (provided the SSAS has already been established)

If you have an urgent deadline for the completion of a transaction, please contact us to discuss whether this is likely to be achievable.

Next Steps...

If you are interested in our SSAS services, please contact your financial adviser in the first instance.

The levels of and bases of taxation can change.
The value to an investor of any tax benefits will depend on that investor's tax position.
Investors should consult their own tax advisers in order to understand any applicable tax consequence.
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InvestAcc Pension Administration Limited is registered in England and Wales, Company number 7118349.
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