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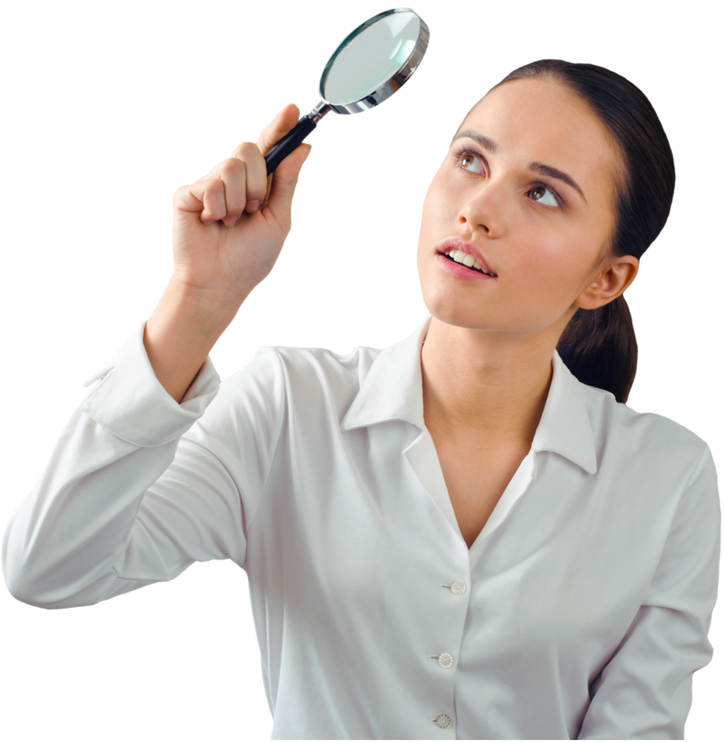
What is a Small Self-Administered Scheme?



What is a Small Self-Administered Scheme?

A Small Self-Administered Scheme (SSAS) is an occupational pension scheme which is subject to the normal rules and regulations for registered pension schemes but offers greater flexibility and freedom of choice over the types of investment it can make.

There are also generous tax concessions afforded to a SSAS which are advantageous to both a company and its directors. These can be used to develop a highly effective and coordinated approach to minimising corporate and personal taxation.

SSAS are generally set up to provide retirement benefits for a small number of a company's directors and / or senior or key staff. They can be open to all employees and their family members, even if they don't work for the employer. The number of members is generally limited to 12.

Contributions may be made to the SSAS by the members and / or the employer. Each receives tax relief on contributions made, subject to certain conditions.

Individual contributions to SSAS Schemes are limited to regular Annual Allowances for individuals of £60,000 per tax year. Subject to the members being a member of a prior pension scheme, Carry Forward allowance may be applicable. This would enable members to utilise unused Annual Allowances from the 3 previous tax years, totalling a £180,000 contribution in the current tax year, 23/24. There may be Annual Allowance Tapering applied for individuals earning over £260,000 per year.

There is no limit to company contributions to a SSAS, subject to meeting HMRC "wholly and exclusively" measures.

Taxation

Contributions to SSAS generate direct tax savings.

Personal/employee contributions can be made either via the 'relief at source' or 'net pay' methods of tax relief depending on the scheme. With relief at source, employee contributions are made net of basic rate tax relief, which means that you will only actually contribute £80 net for every £100 of contributions paid.

Higher and additional rate taxpayers likewise make contributions net of basic rate tax and can then claim additional relief via their Inspector of Taxes / Self-Assessment return. With 'net pay' your gross contributions are deducted from your salary before tax is applied so you receive full tax relief at basic and higher rates up front with no need for a tax reclaim.

Your pension contributions once made will be invested in funds where there is no liability to tax on capital gains and where all forms of investment income are also tax free. Your money may therefore grow faster in a SSAS than in most other forms of investment.

An employer is able to contribute and receive corporation tax relief on any amount that their local inspector of Taxes is satisfied meets the 'wholly and exclusively' for the purpose of the business test.

Loans and borrowing

The trustees of the SSAS may make loans to the employer, but not the members, subject to certain conditions as detailed below:

- The loan may not exceed 50% of the value of the scheme assets at the date the loan is granted
- It must be secured as a first charge on the assets
- It must carry a minimum interest rate (1% over the average base rate of the six main clearing banks)
- It must last for no more than five years (with the possibility of a roll over loan, subject to certain conditions) and
- It must be repaid by equal annual instalments of capital and interest
- The total loans to a pension scheme for any purpose will be limited to 50% of the net scheme assets before the loan

A SSAS will be able to borrow for any legitimate purpose intended to further the aims of the scheme and such borrowing will be limited to 50% of the scheme's net assets at that time.

If you would like to discuss setting up a SSAS or you would like to review/compare your existing pension arrangements, please contact your usual RPG Crouch Chapman adviser or reach out to our Financial Services team direct.

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