

Freephone: 0800 634 4862
Fax: 020 8711 2522
Email: info@pensionpractitioner.com

Daws House
33-35 Daws Lane
London
NW7 4SD

Mr Tom Glanfield & Miss C Rix
80 Balham Grove
Balham
London
SW12 8BE

31 October 2008

Dear Tom & Catherine

Lawrence Harvey Search & Selection SSAS

I have now concluded all of the work that I am required to undertake regarding the purchase of a share of 8 The Courtyard and I set out below my advice on this, taking into account Tom's recent emails to me.

The pension scheme received an Employer's contribution of £84,000. This arose via a Director's loan to the Company. The source of that payment was through a personal loan to Tom from Cat. The Employer's contribution is commercial and reasonable based on the trading position of the Company and as such should qualify as tax deductible expense of the Company.

Cat has made a personal contribution to the SSAS of £66,000 and she has received a certificate to that effect. Cat will be entitled to personally recover the taxes paid on her earnings up to that amount, her personal tax rebate will be in the order of £17,000, but could be higher if PAYE earnings for the current year are more than £66,000.

Based on the re-mortgage of the property as per the proportions given by RBS, the SSAS took a borrowing of £75,000 and this is reflected in the scheme's borrowing account with RBS. The SSAS share of the property based on this borrowing and payment to Vicci amounts to 21.43% i.e. 75,000/350,000. This payment was made by Watsons Solicitors in accordance with RBS's requirements, which also ties in with the SSAS needs, as per the original amendments to the loan offer.

The SSAS had elected to purchase a share of the property from Tom amounting to £84,000. This represented at the time of our calculations the difference between the value of the property and the outstanding mortgage. Following the remortgage of the property, I have been advised that the total borrowing amounts to £265,000.

Therefore based on the most recent valuation of £350,000 and closing mortgage balance, the amount that the SSAS can secure is £85,000, being in line with our advices to Julian Watson, who has drafted the Declaration of Trust. I have noted on the Declaration of Trust that there is a small adjustment of £20.00 (reflecting I suspect a CHAPS fee). I will leave it to your discretion for the SSAS to pay you £84,980 or £85,000.

In accordance with your agreement with Cat, Tom must pay Cat £84,000 as settlement of the loan. It is important that the payment does not go direct to Cat from the SSAS bank account as she will incur a tax charge of £33,600. The payment must be made to Tom and on cleared funds, to Cat.

The property split is therefore 45.71% $(75,000 + £84,980)/350,000$ in favour of the SSAS and the rent paid by the Company to the Scheme will be £9,827.65.

With regard to Cat’s payment to the Scheme of £66,000 this money is intended to secure her interest in Putney. In the event that Putney does not proceed and Cat requires a refund, the Scheme has the right to refund the contribution paid as “In error”. If this refund is made after 6th April 2009, the refund must be paid within 2 years of the date she joined the scheme and the Company would be liable to a tax charge of £24,040. Cat will still receive the tax relief on the payment. If the money is refunded to Cat before 6th April 2009, Cat will not receive tax relief and the Company will not pay tax on the payment made to the Scheme.

The tax benefits of Michael’s recommendation of a SSAS are significant. By way of a summary this may consist of:

CR personal contribution to SSAS	£66,000	Approx recovery of tax reliefs:	£17,000
TG Directors loan account income	£84,000	Approx reduction in tax paid:	£27,000
Employer’s pension contribution	£84,000	Approx reduction in CT at SCR:	£17,600

I have not taken into account any capital gains as 8 The Courtyard has not been sold at the time of writing. With regard to any CGT liability on Tom, we may be able to reduce this through the SSAS receiving assets from Tom which in the current market could be valued at a loss; we will give further guidance on this.

Should you wish us to steer Putney through the pension scheme, we will need to take a fresh approach having regard to each of your tax position for 09/10 (being the potential completion period) and that of the Company.

I have filed my papers to the HMRC Pension Scheme Services and at the time of writing, we will continue to administer the Scheme in accordance with your instructions, the costs for which are met by the annual administration fee. We will need to raise a final invoice to the Company for the work undertaken on this project, less fees already paid in the spring and this will follow separately.

If you have any questions regarding this letter please feel free to get in touch.

Kind regards

Yours sincerely

Gavin McCloskey
For Pension Practitioner .Com

c.c. Michael Lansdell