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Dear Mike,

Transfer of property to your pension scheme

Firstly, please accept my apologies for not getting this to you on Wednesday, I had to travel overseas on an unexpected private matter and did not get back to the UK until Friday.

There are two tests that need to be met in respect of pension contributions. The first is that where contributions are paid from you and/or a business the amount allocated does not exceed the available allowance in the year of payment.

Having regard to pension contributions paid to the Scheme to date, the total annual allowance available for you and Janet amounts to £397,500 for the 2012/13 tax year. This is broken down below.

Tax Year	*Available total annual allowance*
2009-10	£100,000
2010-11	£97,500
2011-12	£100,000
2012-13	£100,000

£397,500 therefore represents the total amount that can be contributed into the pension scheme **from all sources** and without being assessed to an annual allowance surcharge.

The second test is that if the payment is coming from you personally you must have PAYE or self- employed earnings from employment to get personal tax relief. In order to get company tax relief, your businesses must have sufficient pre-tax profits to support pension contributions. Pension contributions are treated as pay and that pay cannot be excessive otherwise it will not qualify for company tax relief. Contributions can be paid from multiple sources, but provided that the amounts allocated do not exceed the limits given above.

If you make pension contributions of £350,000 from your businesses over the next 9 months, you do not require equal amounts of salary from your businesses to get company tax relief.

The property transfer

Transferring property into a pension scheme is one of the main reasons why a SSAS is the preferred pension vehicle – the simple reason being that you have complete control over the property as trustees of the pension fund.

You presently have a care home which has a market value of £990,000 and a mortgage of £970,000. This means your equity amounts to £20,000. You have three options in respect of the transfer of property to your pension scheme.

1. Wait until you have sufficient cash in the pension scheme to purchase the property in full, which would also release the mortgage charge.

2. Purchase a share of property using the cash in the pension scheme and have shared title. Transfer subsequent equity into the pension scheme against rent coming in – which is tax deductible. The rent would pay off the mortgage and at the end of the tax year a contribution or purchase of the property would be made.

3. Fund the pension scheme to the maximum over the next 9 months, then have the pension scheme purchase the property and take over the mortgage once there is circa £650,000 cash in the pension bank account.

Whether the pension scheme takes on a share or the whole of the mortgage, it will charge out a commercial rent to the tenant and that rent will be paid into the pension scheme for you.

There are a couple of issues you need to consider before you transfer in this property.

Firstly, you need to be sure that the "tenant" is of good covenant and that the rent paid to the pension scheme can be met for the term of the lease. If we assume a property value of £990,000 and a yield of 6%; the rent would be £59,400 p.a.

You will incur SDLT on the transfer – please allow full SDLT at the higher rate of £39,600 i.e. 4% of £990,000. You also need to allow for solicitor disbursements plus the cost of the lease which would be circa £2,500 in total. If you wish us to project manage this for you and deal with the solicitor, property transfer, mortgage and work out the most tax efficient way of property transfer you would need to allow a budget of between £4500 to £8,000 depending on the route chosen. You can of course use your own advisors to do this.

If you wish to talk this through, please let me know a good time (late afternoon would be best) to call you as I will not be in the Office all day tomorrow.

Yours sincerely

Gavin McCloskey
For Pension Practitioner .Com