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APPENDIX



LICENSED
CREDIT
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CCL No.
184549

Authorised and Regulated by the
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Ref. 402391
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Risk Warnings – Small Self Administered Scheme (SSAS)

In addition to the risks shown below, I recommend you read carefully the section entitled “risk factors” in the Key Features Document provided which highlights any possible disadvantages of affecting this plan.

- For a full explanation of the charges and how they affect your plan, please refer to the personalised illustration Key Features Documentation, Information Memorandums and Fund Fact Sheets supplied by the product provider.
- The figures on any quotations provided are for illustration purposes only and are not guaranteed.
- The cost effectiveness of your SSAS may depend on a number of factors:
 - The size of your SSAS in relation to the initial and ongoing costs.
 - The type of investments held.
 - The frequency with which you deal.
 - The size of transaction you undertake.
- The value of the investment is determined by the value of the investment, the price of which can fall as well as rise. What you get back is not guaranteed. It will depend on investment performance and the cost of converting your pension fund into an income for life.
- If you have a smaller fund or deal excessively, the value of your SSAS may be eroded and the costs may be disproportionate to the value of your SSAS.
- The recommendations are based on current taxation, law and practice and the current legal and administrative framework and are based on my current interpretation and understanding of those, all of which may be subject to change.
- Past performance is no guarantee of future returns.
- When you retire, your pension may be lower than illustrated if:
 - You stop or reduce your contributions.
 - Investment performance is lower than illustrated.
 - The cost of converting your pension fund into an income for life is more than illustrated.
 - You start taking your pension earlier than your chosen pension age.
 - Tax rules change.
 - Charges increase above those stated.
- It is important to periodically review the value of your investments against expectations - particularly as you approach your chosen retirement age when it is advisable to transfer some or your entire fund to a more stable investment environment.
- Where a property fund has been recommended the value of the fund is based on the valuer's opinion rather than fact. You should be aware property and land can be difficult to sell – so you may not be able to cash-in this investment when you want to. In extreme market conditions the fund manager may have to delay acting on your instructions to sell your investment.
- Where a fund invests in overseas markets, changes in currency exchange rates mean that the value of the investment can go up or down.



Technical Notes – Pensions

A current summary of the main pension's legislation effective from 6th April 2015 can be found within these technical notes.

Budget 2015 - On 6 April 2015, "the most radical changes to pensions for almost a century" took effect. The changes were first announced in the March 2014 Budget. Here we give the basic facts and explain how they might affect you. We also explain changes announced in the July 2015 Budget.

- **CHANGE 1: FLEXIBLE ACCESS TO PENSIONS FROM AGE 55**

What has changed: Most pension investors aged at least 55 now have total freedom over how they take an income or a lump sum from their pension. They can choose to:

- (a) Take the whole fund as cash in one go – 25% tax free and the rest taxed as income;
- (b) Take smaller lump sums, as and when they like with 25% of each withdrawal tax free and the rest taxed as income;
- (c) Take up to 25% tax free and a regular taxable income from the rest (via drawdown – where they draw directly from the pension fund, which remains invested – or via an annuity – where they receive a secure income for life).

Any withdrawals in excess of the tax-free amount will be taxed as income at your marginal rate. So, if you are a basic-rate (20%) taxpayer, any income you draw from your pension will be added to any other income you receive (e.g. your salary) and this could push you into the higher (40%) or even top-rate (45%) income tax bracket.

It should also be possible to take the tax-free cash straightaway and the taxable income via drawdown at a later date.

Who is affected: Anybody with a defined contribution pension – e.g. Small Self Administered Schemes (SSAS), individual or group personal or stakeholder pensions, Self Invested Personal Pensions (SIPPs), some Additional Voluntary Contribution (AVC) schemes, etc. – could benefit. Investors aged 55 or over should be able to take advantage of the increased flexibility now.

CHANGE 2: NEW RESTRICTIONS ON HOW MUCH YOU CAN CONTRIBUTE TO PRIVATE PENSIONS AFTER YOU MAKE WITHDRAWALS

What has changed: Pension contributions are subject to a £40,000 allowance for most people and specific contribution rules. A new £10,000 allowance has been introduced for people who have flexibly accessed a pension.



When you flexibly access benefits you must, within 91 days, inform any of your pension providers to which contributions are subsequently paid, or face a £300 fine. The pension provider with whom you flexibly access benefits should usually inform you if this applies.

Who is affected: Anybody who has flexibly accessed a pension since 6 April 2015 might be affected. Flexibly accessing a pension includes:

- Taking an uncrystallised funds pension lump sum (UFPLS) or a standalone lump sum;
- Having flexible drawdown before 6 April 2015 (previously you were unable to make contributions, but now you can);
- Taking an income payment from drawdown set up or converted to flexible drawdown after 5 April 2015;
- Exceeding income limits from drawdown set up before 6 April 2015;
- Taking an income payment from a scheme pension with 12 or fewer members or from a flexible annuity;

Flexibly accessing a pension does not include:

- Taking tax-free cash and no income;
- Taking a pension as a small pot due to it being worth less than £10,000;
- Taking income from capped drawdown set up before 6 April 2015 which remains within capped drawdown limits;
- Taking a pension as an annuity or scheme pension other than as described above.

This £10,000 limit applies to contributions you and your employer make to money purchase pensions (e.g. personal pensions). It does not apply to any defined benefit pension (e.g. final salary) you are building up.

CHANGE 3: 55% PENSION 'DEATH TAX' ABOLISHED

What has changed: Previously, it was normally only possible to pass a pension on as a tax-free lump sum if you died before age 75 and you had not taken any tax-free cash or income. Otherwise, any lump sum paid from the fund was subject to a 55% tax charge.

This tax charge was abolished on 6 April 2015. The tax treatment of any defined contribution pension you pass on, which you do not use to purchase a lifetime annuity or scheme pension, will depend on your age when you die. If you die before age 75, your beneficiaries can usually take the whole pension fund as a tax-free lump sum or draw an income from it, also free of UK income tax, either by choosing to buy an annuity or by using drawdown.

If you die after age 75, your beneficiaries have three options;

- (a) Take the whole fund as cash in one go: the pension fund will be subject to 45% tax. However, in the July 2015 Budget it was confirmed this will be taxed as your beneficiary's or beneficiaries' income for payments made after 5 April 2016.

- (b) Take a regular income through an annuity or drawdown: the payments will be taxed as your beneficiary's or beneficiaries' income.
- (c) Take periodical lump sums through drawdown: the lump-sum payments will be taxed as your beneficiary's or beneficiaries' income.

Who is affected: Anybody who has a defined contribution pension – e.g. Small Self Administered Schemes, individual or group personal or stakeholder pensions, Self Invested Personal Pensions, Additional Voluntary Contribution schemes, etc. is affected. See change 4 for details of how the tax cut works for annuities.

CHANGE 4: DEATH AFTER BUYING AN ANNUITY – TAX CUT

What has changed: If you buy an annuity, you can choose for the income to be paid to your spouse or partner after you die (a joint-life annuity). You can also choose a guarantee period or value protection – for example, if you buy a 10 year guarantee and die after 2 years, the annuity will be paid for another 8 years to your spouse, partner or beneficiaries.

These payments used to be subject to tax. They are now free of UK income tax if you die before age 75 and the annuity you have is a lifetime annuity (death benefits paid from a scheme pension as value protection, a joint-life annuity or as a continuing guarantee period are not tax free. For further details check with your scheme pension provider to see what the implications of the new rules are).

A joint-life or dependant's annuity can be paid to anyone after you die, subject to any restrictions of your annuity provider. On their subsequent death any value protection or remaining guarantee period can be paid to anyone.

Who is affected: Anybody with a lifetime annuity with joint life, value protection or guarantee period who died on or after 3 December 2014 before turning 75. The first income payment to your partner, spouse or beneficiaries must have been made after 5 April 2015, otherwise it will be taxable.

CHANGE 5: ACCESS TO IMPARTIAL GUIDANCE

What has changed: Everyone can now access free guidance to help them make sense of their options at retirement. This service is called Pension Wise and provided by Citizens Advice Bureau and the Pensions Advisory Service. There is no charge and your pension provider is required to tell you about this impartial guidance.

Who is affected: Anybody taking retirement benefits.

Who is affected: Anybody with a defined benefit pension, wishing to take advantage of the increased flexibility. It is no longer possible to transfer from most public sector pension schemes. Check with your pension scheme if unsure.

CHANGE 7: RETIREMENT AGES TO INCREASE

What is changing: The government has stated that it intends to increase the earliest age at which you can normally draw your pension, currently 55, to 57 from 2028 (and then increase it in line with the rise in the State Pension age). This will not apply to Public Sector Pension Schemes for Firefighters, Police and Armed Forces.

CHANGE 8: CONTRIBUTION ALLOWANCE INCREASE FOR 2015/16 What has changed: A £40,000 annual allowance usually applies to total pension contributions in a tax year. A new £40,000 allowance has effectively been introduced for contributions made from 9 July 2015 to 5 April 2016.

Who is affected: Investors who made contributions between 6 April 2015 and 8 July 2015 may now be able to invest more this tax year than they originally anticipated.

CHANGE 9: CONTRIBUTION RESTRICTIONS FOR HIGH EARNERS FROM 2016/17

What is changing: The July 2015 Budget included plans to limit how much high earners can pay into a pension without facing a tax charge. If the change goes ahead, it will apply to contributions made from 6 April 2016. The £40,000 annual allowance for pension contributions will be tapered down to as little as £10,000.

Who is affected: Anyone with taxable income more than £150,000 in 2016/17 is likely to be affected, although those with lower incomes could also be caught. The government has also announced a review into all pension tax benefits which could lead to more fundamental changes.

WHAT HAPPENS IF YOU HAVE RETIRED ALREADY?

If you are receiving an annuity income from all your pensions, you could only be affected if you have a lifetime annuity with joint life, value protection or guarantee period (see change 4).

If you are in drawdown you should be able to benefit from the new rules.

State Pension Age

Historically the State Pension Age has been 60 for women and 65 for men. Between 2010 and 2018, the State Pension Age for women will increase to 65 to ensure equality. The State pension age is planned to further increase to age 66 by 2020 for both men and women. As a result of increasing life expectancy, the Chancellor announced in his 2011 Autumn Statement a further increase to age 67 between 2026 and 2028 and further increases were implied in his 2013 Autumn Statement to age 68 by the mid 2030's and age 69 by the late 2040's.

The Lifetime Allowance

The lifetime allowance is the limit on the total amount of pension benefits you can draw from before tax penalties are applied. Excess benefits are subject to a recovery (tax) charge on the balance over the lifetime allowance. The charge is 25% or 55% depending upon whether the excess benefits are taken as an income or a lump sum.

- The lifetime allowance is currently £1.25 million.
- Pensions in payment before A Day will be multiplied by a factor of 25:1 to determine the notional fund value against the allowance.
- Enhanced Protection, Primary Protection, Fixed Protection or Individual Protection may have ring fenced benefits from the lifetime allowance.

Pension Protection

Primary Protection - available from 6 April 2006 and gave individuals who had already built up substantial pension savings a personalised lifetime allowance based on the value of their savings as at 6th April 2006. For example, if an individual's savings were 50% above the lifetime allowance, primary protection offered individuals a personal LTA of 150% of the prevailing lifetime allowance.

Enhanced Protection - available from 6 April 2006 and meant that individuals who retained it were not subject to the LTA charge, regardless of the value of their pension savings at A-Day. A condition of Enhanced Protection was that no further pension savings could be earned post 6 April 2006.

Fixed Protection 2012 – On 6 April 2012, a further protection was introduced known as Fixed Protection 2012 (FP12) to coincide with the reduction in the lifetime allowance to £1.5 million. Those with FP12 retained the previous lifetime allowance of £1.8 million, but no further accrual of pension was permissible after 6 April 2012, otherwise FP12 would be lost and the standard lifetime allowance would then apply.

Fixed Protection 2014 - From 6 April 2014 Fixed Protection 2014 (FP2014) is to be introduced to reflect the reduction in the LTA from £1.5 million to £1.25 million. It will operate in a similar way to FP12, but individuals with FP14 will retain an LTA of £1.5 million from April 2014. Applications for FP14 must be made by 6 April 2014.

Individual Protection 2014 - With effect from 6 April 2014 Individual Protection 2014 (IP14) becomes available to any individual whose pension savings exceed £1.25 million as at 6 April 2014, and will provide a personalised lifetime allowance up to a maximum of £1.5 million. Those with IP14 will be able to continue accruing pension after April 2014, but any excess over the personalised Lifetime allowance will be subject to the lifetime allowance charge. Individuals can hold IP14 and either FP12 or FP14. In such cases, fixed protection will take precedence and individuals will revert to IP14 should fixed protection be lost. Individuals who already hold Enhanced Protection will be able to apply for IP14 but holders of Primary Protection won't. Protection will apply until such time as the standard lifetime allowance increases to the same level.

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2016 Protection - It is expected people will be able to apply for protection from the lifetime allowance fall to £1 million in 2016. If you are interested, let us know and we will send you updates when details are announced.

If you have opted for any form of the above "protection" it is important that you inform me of this fact, as this could affect my advice concerning your pension planning.

Contributions

- There is no difference between different types of pension schemes. It is possible to contribute to both a personal pension and a company pension at the same time.
- Individual contributions are unlimited. However there is a limit on the amount of gross contributions that an individual can pay each tax year and receive full tax relief upon. This is restricted to the higher of £3,600 or 100% of salary – subject to the annual allowance.

The annual allowance for the 2015/16 tax year is £40,000. It is possible to offset one-off spikes in contributions in excess of the annual allowance against unused allowances from the previous three years.

- Contributions or accruals in excess of the annual allowance are subject to a tax charge at the member's marginal rate of tax relief. This applies to contributions made by the employee or employer.
- Employer contributions count towards the annual allowance. Also, it is up to the Employer's local inspector of Taxes whether or not the entire contribution will be relievable for tax purposes. The HMRC website suggests that a pension contribution when considered as being "wholly and exclusively for the purposes of trade" will qualify for tax relief. Only where there is a clear non-trade purpose may tax relief be restricted or not allowed. Even where tax relief is granted large employer contributions could have the tax relief spread over a number of accounting periods.
- In measuring "defined benefit schemes" against the limit, any annual increase in the pension benefit is multiplied by 16 to convert it to its contribution equivalent.
- No tax relief will be granted on contributions paid after age 75.

Retirement Ages

- From 6th April 2010, the earliest retirement age rose from 50 to 55.
- It is still possible to take benefits exceptionally early on the grounds of permanent ill health.
- It is possible, if scheme rules allow, to take benefits and continue to accrue benefits while in the same scheme before or beyond scheme pension age.
- Compulsory annuitisation by age 75 has been scrapped.



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Retirement Benefits

- From 6th April 2011 the effective requirement for members of registered pension schemes to secure an income, usually by purchasing an annuity with their pension fund, by age 75 has been removed. It is now possible to draw retirement benefits (income and lump sum) after your 75th birthday.
- Effective from 27th March 2014, the maximum Capped Drawdown GAD limit increases from 120% to 150% of the prevailing annuity rate which can be withdrawn in any given policy year.
- Effective from 6th April 2015, Flexible Drawdown no longer requires a minimum secured pension income to take income without limit from their pension fund.
- Effective from 27th March 2014, the whole of an individual's pension fund can be taken as cash (25% of which will be tax free) under the triviality rules provided their entire pension fund is not more than £30,000. The individual has to be at least 60 years old.
- From 6 April 2012, individuals attaining age 60 can exchange 'personal pension' benefits for cash under 'small pot' rules even if the main rules above have not been met. This is conditional on the payment not exceeding £10,000 with effect from 27th March 2014 (formerly £2,000), it extinguishes all rights of the individual under the arrangement and not more than three lump sum payments have previously been received under a similar scheme.

Tax-Free Lump Sums

- It has been possible to take a tax free cash (Pension Commencement Lump Sum) payment of 25% of the fund value from any pension since A Day.
- It is possible for an individual to protect any entitlement to a Pension Commencement Lump Sum payment in excess of 25% accrued prior to A Day. However detailed records have to be held and the protection can be lost on transfer.
- HMRC have established a fiddly anti-avoidance rule for the "recycling" of Pension Commencement Lump Sum payments. Significant contribution increases over 30% of the lump sum, where a Pension Commencement Lump Sum payment taken in the previous twelve months exceeds 1% of the lifetime allowance will be scrutinised.

Death Benefits

- On death before age 75, there will be no death benefit tax charge on an uncrystallised pension fund, assuming the total value of the pension benefits are within the lifetime allowance.
- Death on or after your 75th birthday will result in a tax charge of 55% on all uncrystallised pension benefits if taken as a lump sum.
- The same 55% tax charge on death will also apply to any crystallised pension benefits, regardless of age.



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Investments

- There is a single set of investment rules which, subject to DWP (Department of Works and Pensions) requirements, apply to all registered pension schemes.
- Any personal use of an asset other than on commercial terms will give rise to an income tax assessment, like a benefit-in-kind.
- There is no ban on transactions between connected persons.
- Small business owners and professional partnerships can transfer their own business premises and company shares into their pension pots.
- Scheme borrowing is limited to 50% of scheme assets.

Auto-Enrolment

The Pensions Act 2008 established new duties on employers to help more people save for their retirement. All employers are required by law to automatically enrol certain members of their workforce into a pension scheme and make a contribution towards it. These duties took effect for the largest employers from October 2012 with all other sized employers being phased in until October 2018.

The government has set a minimum percentage that has to be contributed in total which will be based on a band of your gross annual earnings and will include your contribution, your employer's contribution and the tax relief added together. This minimum increases gradually between 2012 and

October 2018 at which point the total contribution will be no less than 8% (of which at least 3% will be paid by the employer).

Where employers already provide a pension scheme for their workers, it will need to be checked if it is a qualifying scheme i.e. it meets a number of conditions based on the level of contributions paid or the benefits that members receive. If it doesn't qualify at the moment, employers may be able to change the scheme rules or amend the terms of the policy so that they will be able to use it.

National Employment Savings Trust (NEST)

Nest is a brand new workplace pension scheme designed to make it easy for employers to meet their new workplace pension duties in respect of auto-enrolment. It is open to employers of any size and it is a simple and low-cost pension scheme designed to give its members an easy way of building up a retirement pot. The self-employed are also eligible.

Nest collects an annual management charge (AMC) of 0.3% of a member's total fund each year and members will also pay a charge of 1.8% on any new contributions they make. Nest anticipates removing this charge once the costs of setting up the scheme are met.

This fact sheet is based on our understanding of current and proposed legislation as at 1 April 2015, which is subject to change. It is a brief summary that cannot cover every nuance. Any tax benefits or charges will depend on your circumstances. If you are at all unsure you should seek advice.



Notes on Financial Products

Small Self Administered Scheme (SSAS)

A Small Self Administered Scheme (SSAS) is a special type of personal pension which allows you to have a greater involvement in the running of your pension and offers a much wider choice of where to invest your pension savings.

Individual contributions are unlimited. However there is a limit on the amount of gross contributions that an individual can pay each tax year and receive full tax relief upon. This is restricted to the higher of £3,600 or 100% of salary, subject to an annual allowance of £40,000 for the current tax year. It is possible to offset one-off spikes in contributions in excess of the annual allowance against unused allowances from the previous three years. Employer contributions count towards the annual allowance. Also, it is up to the Employer's local inspector of Taxes whether or not the entire contribution will be relieviable for tax purposes. Individuals are subject to a tax charge on the amount of any contribution (both individual and employer) paid in excess of the annual allowance each year. The tax charge will be at the member's marginal rate of tax. No tax relief will be granted on contributions paid after age 75.

A pension is one of the most tax efficient ways of saving for your retirement. Contributions qualify for tax relief at your highest rate of income tax, subject to the restrictions outlined above. Contributions are paid net of basic rate tax and the pension provider collects the tax relief from the HM Revenue & Customs. This means that for every £80 you contribute, £100 will actually be credited to your plan. Any higher rate tax relief to which you are entitled can be reclaimed through your annual Tax Return. Growth in the value of the pension fund is free from capital gains tax and certain types of dividends paid to the plan are free from income tax.

Benefits can usually be taken from age 55, including while you are still working. At that time you can elect to take 25% of the accumulated fund as a Pension Commencement Lump Sum (tax free cash) payment. The remainder of the fund may be used to purchase an annuity, which can be established on a basis to suit your individual circumstances and objectives at that time. Alternatively you can choose to take the benefits directly from your pension fund via a more flexible retirement plan. The effective requirement to buy an annuity by age 75 was removed from 6th April 2011.

On death before age 75, there will be no death benefit tax charge on either a crystallised or uncrystallised pension fund, assuming the total value of the pension benefits are within the lifetime allowance. Death on, or after your 75th birthday If you die after age 75, your beneficiaries have three options;

- (a) Take the whole fund as cash in one go: the pension fund will be subject to 45% tax. However, in the July 2015 Budget it was confirmed this will be taxed as your beneficiary's or beneficiaries' income for payments made after 5 April 2016.



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- (b) Take a regular income through an annuity or drawdown: the payments will be taxed as your beneficiary's or beneficiaries' income.
- (c) Take periodical lump sums through drawdown: the lump-sum payments will be taxed as your beneficiary's or beneficiaries' income.

Under normal circumstances, no inheritance tax liability will arise from pension death benefits unless HMRC believe that an individual has deliberately deferred the crystallisation of their pension benefits to avoid tax charges.

SSAs are allowed to invest in a variety of ways and "connected person transactions" are now allowed provided they occur at "arms-length". The permitted investments include:

- Stocks and shares traded on any recognised stock exchange.
- Futures and options relating to stocks and shares traded on any recognised futures exchange.
- Units in an authorised unit trust.
- Shares in OEICs.
- Unregulated, non standard Investment Schemes
- Policies of insurance linked to unit-linked or investment funds of an insurance company resident in the UK.
- Traded endowment policies transacted with a person regulated by the FCA.
- Cash deposits in any currency.
- A freehold or leasehold interest in commercial property (including land).
- Ground rents, rent charges, ground annuals, feu duties or other annual payments reserved in respect of, or charged on, or issuing out of property except where the property concerned is occupied by a member of the scheme or a person connected with him.
- Individual pension accounts.

Property Investment via a SSAS



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It is possible to invest directly in commercial property via a SSAS. The following should be considered when undertaking a commercial property purchase via a SSAS:

- The rent accumulates tax free within the scheme and the subsequent disposal of the property is exempt from capital gains tax.
- The lease must be on commercial terms and the administrator of the SSAS is required to take independent advice on the terms of the lease and the rent payable.
- Letting a property to a member's own business can also bring additional risks. If the business fails, the pension scheme may suffer investment losses as well as a reduction in future contributions.
- Investment in a single undertaking or having one investment as a large part of a scheme's assets brings considerable risk.
- Investment in commercial property needs to be treated with particular care. A property's potential marketability must be considered carefully because it will have to be sold before an annuity is secured.
- The problem can become even greater when several members effectively hold the property within their fund as often happens in a partnership.

A SSAS may only borrow towards the purchase of a freehold or leasehold interest in commercial property to be held as an investment of the scheme. The amount borrowed must not exceed 50% of the value of the individual pension assets.

Budget 2015 – Please refer to the Technical Notes – Pensions section for further details on the governments announced pension flexibility reforms applied on 6th April 2015.

Appendix – Technical Information on Unregulated Investment Schemes



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Many Unregulated Investment Schemes (UIS) are sold to investors in the UK. Regulated CIS are those that are authorised by the Financial Conduct Authority (FCA) or are non-UK CIS that the FCA recognise. FCA recognition enables overseas CIS to be marketed to the general public in the UK and the FCA will only recognise an overseas scheme if certain specified criteria are met. If the FCA do not authorise or recognise a CIS in this way, it is classed as an Unregulated Investment Scheme (UIS). A UIS may be established, operated and/or managed in the UK or in a jurisdiction outside the UK.

UIS are described as unregulated because they are not subject to the same restrictions as a regulated CIS (e.g. in terms of their investment powers and how they are operated). Although the schemes themselves are not authorised or recognised, persons carrying on regulated activities in the UK in relation to UIS (including providing personal recommendations, arranging deals and establishing, operating and managing schemes) will be subject to FCA regulation.

All investments are subject to tax of some kind. Generally speaking, if the investment pays out regularly, the returns are taxed as income and investors are liable to income tax at their highest marginal rate. Alternatively, if the investment objectives are to generate a lump sum at the end of the investment term, or capital growth, then the gains enjoyed are subject to Capital Gains Tax.

However, it is not always as simple as this and the tax treatment of individual investments can vary from the general rules. Additionally, liability to tax will often depend on an investor's personal circumstances.

UIS investments cannot be held within an ISA because they are not regulated by the FCA.



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