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

Important Updates to the rules of your SSAS

Our Role

HM Revenue and Customs tax regulate pension schemes and the Pensions Regulator regulates oversight of employer and member outcomes. We undertake pension scheme tax compliance and reporting requirements for your SSAS as part of our practitioner role.

We also provide technical oversight for your pension scheme and this is often fulfilled where, for example, you are purchasing a property, or require guidance on income and payments through your SSAS. One of the additional functions we provide is to ensure that your rules meet the ever-changing landscape of taxation which have moved on significantly since your pension scheme was established.

Why we are putting in changes now

When new legislation is introduced by Government, they generally apply to your SSAS, irrespective of whether the rules are updated. Some changes to taxation rules from Government can have a detrimental affect and we therefore monitor changes to see if you could be affected. Certain legislation changes we cannot prevent, such as reductions in the lifetime allowance or annual allowance.

Other legislation changes do allow us to add new features or put in protection measures for your scheme. We wish to update your rules to add new feature and put in protection measures which will serve you well for many years to come.

What are the main changes

Contributions

Any contributions paid in now will be automatically allocated to a member's pension scheme account, unless it is specifically resolved that contributions should not be allocated

Why needed: This is because HMRC have tightened the rules and taxation benefits on allocating contributions held in a general account.

Drawing Income

When you take income or a lump sum from your SSAS, the pension will be set up as a scheme pension and not pension drawdown, as at present.

Why needed: Pension drawdown is treated as flexi-access income, which means that contributions into your SSAS will be reduced to £4,000 p.a. as an HMRC maximum. Scheme Pension can be varied in a very similar way to flexi-access income, but it importantly ensures that you are not “caught” by the £4,000 annual limit which would otherwise apply.

You should note that scheme pension is only available via a SSAS and is not available through a SIPP. Scheme pension has been adopted into the scheme rules.

Passing the fund to future generations

On death before age 75, the remaining pension fund can be paid as a lump sum or as an income to any beneficiary tax-free, irrespective of whether they derived from uncrystallised or crystallised money. On death after age 75 the benefits can be drawn down or paid as a lump sum taxed at the beneficiary's marginal rate.

Why needed: If the beneficiary is a family member, then that prospective entitlement can form part of their assets and could be liable to a sharing order by a future ex-partner in future. By only permitting assets to remain in the bloodline, this does allow only your family members to share in the benefits of the scheme. Our rule update provides this conversion.

Our rules updates also allows the fund to be split conveniently for the directors, whom might wish to go their own separate ways but wish to retain the flexibility of the SSAS.

Changes in the status of your Company

HMRC introduced a rule last year which stated that "on or after 6 April 2018, if your company was dormant in the year before , HMRC has the power to de-register the scheme where the company has been dormant for a continuous period of one month".

For the purposes of the Companies Act a company is “dormant” during any period in which it has no significant accounting transaction.

Why needed: We must put in place a rule update which can protect your scheme from a potential tax employer status enquiry and allow you to continue to enjoy the valuable tax benefits that your SSAS receives. Quite simply, the key rule will remove your principal company attached to the pension scheme from the period that the company became dormant i.e. the period from which it had no significant accounting transaction. Where your company was in liquidation but was not dormant, we have put an update in place to protect your position in the future event that the scope of this regulation is widened.

Decision making

In order to enjoy an exemption from the requirement of audited accounts, statements of investment principles and other such Pensions Regulator requirements decision making must be unanimous.

Why needed: There will be instances where a scheme member may wish to make investments “ring fenced” from the other scheme members, and the ability to delegate those investment choices are granted, whilst retaining the exemptions afforded under the Pensions Act.