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Mr Carl France
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Date: 17 March 2008

Dear Carl,

SSAS Meeting

Further to our meeting last week, I set out below a summary of the points which we discussed.

Who are we

Pension Practitioner .Com was established in 2006 to maximise the opportunities that arose from the simplification of how pension schemes now operate.

We offer an administration service to clients via a SSAS product to ensure that all tax reliefs are received on contributions, the scheme is tax exempt and that it is properly administered. We complete all returns to HMRC, the Regulator and DWP during the scheme year. For this service we charge an annual administration fee. We offer at the end of the scheme anniversary the option to renew our administration services.

At the end of each scheme year, we also provide you with a report of the work that we have undertaken over the previous scheme year and we provide member benefit statements detailing each member's entitlement to benefits from the scheme. We encourage a trustees meeting to ensure that you are getting the most out of your SSAS.

As an additional service we provide Special Projects, which is term that we use for advanced pension planning guidance. This will tend to involve tax mitigation on substantial pension contributions, guidance to a client on moving substantial assets from a taxable to a tax exempt environment and ensuring that complex transactions are structured within HMRC requirements. This service can be requested at any time and is also on fixed fee terms.

Pension contributions for this tax year

I confirm that pension contributions for the current tax year amount to 100% of total taxable earnings (excl dividends) capped at £225,000 per individual. Contributions from a Company are generally capped on a scheme contribution of £500,000, such contributions must meet the wholly and exclusively for the purpose of trade test to qualify for tax relief. Contributions from a third party count against the individual's earnings for tax relief purposes.

Shop purchase

The shop can be purchased by a SSAS, subject to an independent valuation report. This can be funded by a cash contribution by the scheme employer(s) or by you and Alison.

Based on an independent valuation of £125,000, if one assumes that it will be purchased on a 50/50 basis, you must each have taxable pay of £62,500 to qualify for tax relief on personal contributions. Under this approach, you would each pay £48,750 into the pension scheme bank account, we would recover £27,500 from HMRC as tax relief to that account. The pension contributions paid are then used as consideration for the purchase of the freehold title. The lease will need to be re-registered with future rental income paid to the scheme bank account. You would each recover £11,250 from HMRC when you file your tax returns

Should you not wish to use cash, the property could be contributed to the SSAS as a third party payment, with the tax relief being recovered through your annual return or under the net pay basis. The investment company which owns the property could also contribute the premises into the SSAS and as such it may be tax qualifying as a relief against corporation tax.

Purchase of commercial premises

We discussed at some length the purchase of commercial premises which you value at £1.8 million. If your purchase price was agreed it would not be possible for the entire transaction to be effected via the SSAS in the current year.

The more likely approach would be a cash contribution to the scheme from the Company to a maximum of £500,000 in the current year. In addition if we assumed that the scheme had assets of £125,000 plus pensions of £200,000 then the maximum borrowing will be £412,500, which would mean that the pension scheme would own just over 50% of the property with the balance owned by the Company. The SSAS would subsequently receive 50% of the rental income charged, which would be used to support future mortgage repayments.

In future years, if the Company were able to reduce its liability in respect of the mortgage, then that property share could be contributed to the SSAS, which could qualify for tax relief. However, we need to be careful of any subsequent SDLT that may arise on the in-specie contribution.

We will need to structure contributions of property and cash from the business to ensure that they are tax deductible and are tax efficient for you and Alison as the scheme members/trustees. We will need to also ensure that the contributions from the business, given that they are significant meet the wholly and exclusively for the purposes of trade test. In order that this can be structured for you, Alison and the Company, we will charge a fee of £2,000 plus VAT for this project.

Going forward

The first step is to establish and tax register for reliefs a SSAS before 6th April 2006. You will also need to ensure that contributions are transferred into the pension scheme account before this date. We will also liaise with you on the purchase of the freehold shop by the SSAS and the transfer of the lease to the scheme.

Following the tax registration and contribution, we will obtain valuations of other pension benefits and will liaise with the trustees and Mike O'Horan on the suitability of an assignment of those pension assets to the SSAS.

Finally, subject to your discussions with the landlord for your current premises we will agree a timescale and financial plan with you to fund the pension scheme for the purchase of those premises.

I confirm that the set up cost for a two person scheme amounts to £1000 plus VAT. The cost for the annual administration of the scheme amounts to £950 plus VAT. You will need to provide us with unaudited accounts (a P&L statement and balance sheet is acceptable) and you will need to allow for £24.00 to the Pensions Regulator for their pension scheme registry fee.

I have the relevant information from you to draft the set up of the SSAS, but I will require your confirmation to proceed before these can be sent to you.

I trust that this covers everything, if you have any questions at this stage please do not hesitate to get in touch.

Kind regards

Yours sincerely

Gavin McCloskey
For Pension Practitioner .Com

c.c. Mike O'Horan