

What is a SSAS



A SSAS is a occupational pension scheme established under a discretionary trust deed. The provider of the scheme must be an employer, for example a limited company. The provider can also be a partnership or a business where one person employs others.

There is no compulsion to have a provider beyond the establishment of the scheme.

The provider invites individuals to become members of the scheme, Those members can be family and/or employees of the business. The members are also appointed as trustees of the scheme. The member trustees are responsible for investing the funds and paying out the scheme's benefits.

If an individual controls his own business, he could be a member of his own scheme and act as the sole trustee. This type of arrangement is vary common where an individual wishes to have sole control of his pension scheme and have the assets of the scheme in his own name.

The SSAS is an ideal choice as a family scheme or where there are co-controllers of a business.

SSAS V SIPP

Up to 5th April 2006, many regarded SIPPS as the preferred route over SSAS. SSAS were regarded as expensive and less flexible than SIPPS. The new rules regarding pension schemes, coupled with the structure of the Pension Practitioner .Com SSAS changes this perception.

	SSAS	SIPP
Control	Assets in the name of the member trustees	Assets in the name of a third party the Trustee Company
Contributions	Contributions do not need to be allocated at outset to a given member. In specie contributions allowable.	The issue of "earmarking" does not arise. In specie contributions permitted by very few providers
Tax relief	Highest rate tax relief at source on member's contributions	Basic rate tax relief at source, marginal rate reclaimed at the end of the year
Loans	Yes, up to 50% of the net value of the assets	Connected party restrictions apply, so highly unlikely
Guarantor	Can act as guarantor on loans and securities	Most unlikely to be consented to by the SIPP provider/ Trustee Company
Scheme pension	Allowed	Not offered by SIPP
Investor options	Investment choice determined by the trustees, unquoted shares permissible	Investment choice set out by the SIPP provider, unquoted shares as a permitted investment unlikely to be allowed

This summary illustrates some of the key differences between SSAS and SIPP. This is not a recommendation, implied or otherwise. We are not regulated to advise or promote SIPPS and recommend that financial advice is obtained where appropriate.

Tax efficiency

A SSAS is generally regarded as a tax exempt pension scheme. Tax relief includes:

- Tax relief on employer, third party and member contributions
- No capital gains tax on investment growth
- No tax on scheme investment income
- IHT exemption on most death benefits
- A quarter of the member's fund tax free, up to a given allowance.

Scheme benefits payable

A quarter of the fund may be paid out from age 50 (or 55 in certain circumstances) without the need to stop working.

The balance of the fund is paid as income, which is taxed as earned income. On death before the benefits are paid out the member's fund may be paid out tax free to beneficiaries. On death in retirement before age 75, the fund may be paid out in lump sum form less 35%. The tax position changes again at age 75, depending on the pension option then chosen. A tax assessment will be raised where benefits exceed the lifetime allowance, if protection is not applied for.

