

Fact Sheet

Investment in copyright/trademarks and other intellectual property

The purpose of this fact sheet is to provide you with information about investment in intellectual property and how this may operate via a small self administered scheme.

A small self administered scheme is an occupational pension scheme, established by a business whereby you are appointed as trustee(s) and invited as the scheme member(s). You as trustee(s) decide how to invest the assets of the scheme but you are obliged to consider financial advice in making investment decisions. You are not bound by this however.

Investment selection

You may invest your funds as you deem appropriate with five exceptions:

- Do not invest directly or indirectly in residential property of any nature
- Do not invest in any asset with a predictive lifespan of less than 51 years, e.g. plant and machinery
- Do not invest in things you can touch and move. For example, fine wine, vehicles, gemstones and rare books
- Do not invest in unquoted shares without checking things with us first
- Do not make any loans to you or anyone connected to you

Paying in money

Contributions are likely to be paid by your business, there is broadly an annual allowance applying for each person, that amount from all sources is £255,000 in the current tax year. Personal contributions are limited to 100% of your pay (i.e. PAYE).

Taking money out

Other than for investment of scheme funds or scheme expenses, no drawings or payments should be paid out of the pension scheme. If you wish to draw benefits from the pension scheme, we will calculate the maximum sum allowable.

The income payable is a quarter of the fund tax free as a lump sum, the balance can be drawn as an income from the scheme, which is taxed as earned income. There is an overall lifetime allowance of £1.85 million per person in the current tax year. The money from the scheme can be paid out from age 50/55 to you.

Making investments

When you make investments, certain investment holdings cannot be held in the name of the pension scheme, but in the names of the individual trustees. This may include certain classes of quoted shares or copyright. Where this

arises, the investment may be held in the names of individual trustees. However it should be recorded on the investment that those persons are holding the investment as trustees of the pension scheme. For example, J Smith & A Smith on an investment certificate is not acceptable, however J Smith and A Smith (as trustees of the ABC Pension Scheme) is acceptable.

Investment in intellectual property

A SSAS can purchase an asset from a member or a third party. If the individual or business owns that asset, it may be contributed into the pension scheme and tax relief can be obtained on the payment. Income from royalty is received tax free and a quarter of those funds received can be paid out without deduction of tax to the member of the scheme. The balance can be paid as income from age 50/55 and payable for life from say, royalties received by the SSAS.

Provided that the intellectual property does not have a predictive lifespan of less than 51 years, it may be an acceptable investment by the SSAS.

Case Example

Catherine is a recording artist and owns the licence and marketing rights to her new album called "The Album" via her Company, Catherine & Co Ltd. A valuation of The Album is undertaken which on sales to date plus projected income is £500,000. Catherine & Co Limited last year had pre tax profits of £400,000 and this year the figures are similar. After taxation and financial advice was given, 50% of the rights to the licence was contributed to Catherine's SSAS. This tax deductible payment reduced pre-tax profits by £250,000, giving a tax relief of £52,500.

The SSAS now owns half of the licence and copyright to The Album.

The income stream to The Album over the next 10 years amounted to £375,000, of which the SSAS received half of that royalty income. The amount being £187,500. Catherine was able to take £46,875 tax free at age 50 from the SSAS, the balance of the fund continues to pay her an income. Had that licence remained in the Company, the business would have incurred a corporation tax cost of £39,375, in addition to income tax on the dividend of £75,817 (based on current tax rates) for Catherine.

Important Note

The information contained in this fact sheet is based on our understanding of pension law at the time of print. However, pensions law changes and whilst we endeavour to produce accurate information, we cannot guarantee the accuracy of the contents therein. Pension Practitioner .Com administer and operate small self administered schemes. We do not give investment advice and do not promote any investment products, nor do we receive commission on any investment income of any kind or nature. You should not rely on the information given to make a financial decision, you are recommended to obtain financial advice where appropriate.