

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.

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

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 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.

The intellectual property can include income from web domains, design rights, image rights and copyright can also be included.

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 £250,000. Catherine & Co Limited last year had pre tax profits of £150,000 and this year the figures are similar. After taxation and financial advice was given, 20% of the rights to the licence was contributed to Catherine's SSAS. This tax deductible payment reduced pre-tax profits by £50,000, giving a tax relief of £10,000.

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

The income stream to The Album over the next 10 years amounted to £167,000, Catherine was able to take £41,750 tax free at age 55 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 £33,400.

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.