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## Pensions for business owners: an introduction to SSAS

Stephen Watson, Chairman.

Given the reductions made to the Annual Allowance and Lifetime Allowance limits, it is fair to say that pension investments are more limited in their scope these days when compared with the heady years of unlimited pension contributions and zero lifetime allowance.

Nonetheless, it is unwise to underestimate the exceptional tax efficiency that pension investment continues to offer and particularly so as we approach the forthcoming tax increases for the 2023/24 tax year starting 5<sup>th</sup> April.

A business can align certain business activities with the unique tax efficiency of a pension arrangement. For a limited company this is generally best achieved with a Small Self Administered Scheme (SSAS). Although a SSAS is a more complex pension arrangement and essential to consider it with experienced professional advice, my aim with this article is to demystify some of its complexities.

Essentially a SSAS is an Occupational Pension Scheme created by an employer (the Principal Employer) for the benefit of its employees. The main difference here is that relative to many employee pension arrangements, a SSAS is small (it can have a maximum of eleven members). Unless there is a good reason to include others, the members of a SSAS will usually be the employees who are also the owners of the company (the Principal Employer). This is sensible because all members of a SSAS are responsible for deciding on and managing the investments for the scheme, and all members must be in agreement on the scheme's investment strategy.

Setting up a SSAS includes an application to HMRC for scheme approval, which is generally a given but can take two to three months. HMRC approval conveys the tax advantages for the scheme and once received, investments can be made from the range of permitted pension investments. These permitted investments include commercial property, land, the ability to make loans as well as the more

conventional investment portfolios that include equity, fixed interest, commodities etc. A SSAS can also borrow directly from a third-party lender.

Quite often a SSAS will be created to enable the members to purchase commercial property, which is then leased and occupied by the business (the principal employer). This offers significant advantages for the scheme members as well as for the business.

Provided certain conditions are met, pension contributions made by the business are classed as a trading expense and are 100% relievable against taxable profits, thus reducing Corporation Tax for the business. This tax saving essentially serves to discount the purchase price of the commercial property to be purchased or indeed any other investment undertaken.

Another commonly used investment characteristic of a SSAS is the ability for it to provide loans, including the provision of a secured loan to the Principal Employer. Such loan security can be any unencumbered asset on which a first charge can be used to secure the loan. The security does not have to be an asset of the borrower.

As a source of financial support a SSAS loan has been invaluable for a business on many occasions. As with most financial transactions there are both advantages and drawbacks to consider and a SSAS is no different and goes beyond this article. However, taking account of the various allowable investments, an experienced SSAS adviser will often suggest strategies that can be advantageous to a business, fulfilling the needs of a business as well as providing valuable retirement provision for the business owners.

In summary:

- Pensions are hugely tax efficient, investments growing virtually tax free.
- Pension contributions made by the business are generally 100% relievable against corporation tax.
- Pensions are generally excluded from a member's estate for the purpose of inheritance tax (IHT).

For these reasons aligning certain business strategies with a SSAS is often a wise option and certainly worth consideration. Having an experienced adviser for such matters is essential. Our expertise in this area of business is considerable and we will be delighted to offer further advice and support where needed. Do contact us for more information.

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