

SSAs offer business advantages as well

With good financial planning advice, innovative entrepreneurs can make their SSAS (small self-administered pension scheme) work for their business whilst building up a substantial pension fund to benefit them and their family in later life. This makes SSAs particularly attractive to the owners and directors of small and medium-sized businesses.

There are two main ways in which a SSAS can be used to benefit both the pension fund itself and the employer company: through the purchase of the business's premises and by making a secured loan to the business.

Purchasing the business property

It can make sound investment sense for a SSAS to buy commercial property. If this is the case, members may use the funds to buy commercial property owned by the business and then lease it back to the company at an open market rent. This offers a number of advantages:

- the company can offset the rent it pays against its corporation tax bill
- company capital is released for other investments
- the SSAS does not pay income tax on the rental income it receives
- there is no CGT liability when the SSAS sells the property
- as the property is an asset of the SSAS, it is protected from company creditors
- the rent creates an income stream for the SSAS, which can then be reinvested.

If the SSAS does not have enough cash to buy the property, it can borrow up to 50% of the scheme's net value to fund the purchase. An independent valuation must be obtained before purchase. As with any commercial property investment, the trustees should review the property's insurance regularly to ensure that adequate cover is maintained. They also need to make sure that rent is paid on time and carry out regular rent reviews.

However, using a SSAS to buy business premises is not a cut and dried case. For instance, the business will

not be able to use the property as collateral and will not be able to claim any capital allowances for which it may otherwise have been eligible.

Secured loan

The members can lend the funds within the SSAS to the company in the form of a secured loan. Up to 50% of the net value of the SSAS can be lent in this way. Such loans must be secured by way of a first charge against assets and this security must be enough to cover the loan and

interest payable on it. The maximum term permitted is five years, and interest must be at least 1% above the average base lending rate of stipulated high street banks.

- The company can use such a loan to buy, for instance, fixed assets, land for development or to increase stock. It has to repay the loan by making regular repayments of interest and capital.
- The interest paid by the company is a tax deductible expense, while the SSAS is not taxed on the interest it receives.

It should be remembered that the primary function of a SSAS is to provide retirement benefits for its members, and trustees have a duty of care to manage the funds with this objective in mind. As with any investment, it is advisable for a SSAS to be invested in a balanced portfolio, to reduce risk and maximise the potential for growth. However, if they consider it advantageous to both members and the company to use some of the funds to help the business, then this could prove worthwhile for both parties.



Innovative entrepreneurs can make a SSAS work for their business while building up a pension fund.

**To find out more about how your clients may be able to benefit from SSAs, please contact Mark Dallas, Managing Director, on 07899 981607
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