SSAS update

The post lockdown edition

December 2020

As we continue to work through the challenges that 2020 has brought to all of us in different ways, could a SSAS provide assistance?

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Flexibilities of a SSAS

SSAS' have some flexibilities not always available to other pension schemes. For example:

- The SSAS could provide a source of borrowing for the sponsoring employer in the form of a secured loan
- The SSAS can purchase commercial property from its sponsoring employer
- The SSAS can lease commercial property to its sponsoring employer

In addition, members can start to draw benefits from age 55, which includes a tax-free lump sum and flexible pension payments.

There are a number of things to consider with each of these points. Please contact us for more details.

Requests to reduce rental payments

It is very common for SSAS trustees to invest in commercial property and to lease that property in return for rental income. The impact of the COVID lockdowns has led some tenants to request a rent reduction or a short holiday from their rent.

Trustees can agree to such requests, having given due consideration to the impact any reduced rent may have on their members/commitments, such as borrowing repayments to the bank or pension payments.

Special care is needed where the tenant is "connected" to the trustees (such as the SSAS' sponsoring employer). HMRC requires all such transactions to be in commercial terms and would expect trustees to obtain appropriate advice/evidence (as the trustees would when dealing with an unconnected third party).

Please contact us for assistance if the trustees are entering into any such agreement, particularly with the sponsoring employer. HMRC can impose penal fines if they consider a transaction is not "commercial".

Why a SSAS with LCP?

LCP is one of the UK's leading pension consultants. Our top priority is to deliver the right solutions for our clients, whether they are large or small, based on an understanding of their scheme and consulting needs.

We act as professional advisers to our SSAS trustee clients to help guide them with pensions legislation and assist them with the administration of the scheme.

We differ from many other SSAS providers as we do not act as a Trustee. This enables our SSAS clients to retain complete control of their SSAS, its cash and investments. For example, our SSAS clients do not need to contact us each time they want to make a payment from the SSAS bank account. Our approach is to get involved only to the extent our clients want us to, allowing them to stay in control, while being proactive when appropriate, such as when legislation changes.

We offer our SSAS clients a personalised service, and pride ourselves on long-standing, successful relationships with our clients – most of whom have been with us for many years.

Technical updates for SSAS trustees

There a number of technical changes that apply now or in the near future which trustees should be aware of and these are summarised in the sections below.

The Tapered Annual Allowance (TAA) now applies to fewer people

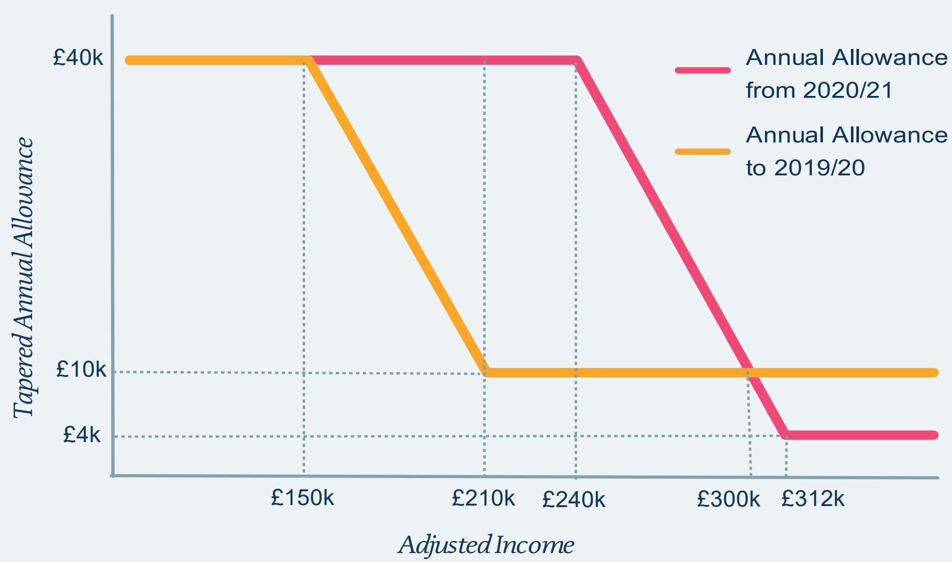
For most people, the Annual Allowance for pension savings, such as contributions, is £40,000 pa. However, a taper applies for those with "high income" which reduces this allowance. The values of when the taper starts to take effect have increased, meaning even fewer people will be affected.

From 6 April 2020, if an individual's income, both from employment and personal wealth, is £200,000 or less (increased from £110,000), they have the full £40,000 Annual Allowance – ie the taper does not apply.

The taper will begin to apply for individuals with "Adjusted Income", broadly their taxable income plus any pension savings – such as contributions, above £240,000 (increased from £150,000). The table below illustrates how the taper applies.

However, individuals with income of £300,000 or more, the TAA will be lower than the previous minimum of £10,000 and are likely to be as low as £4,000.

Generally, the TAA will now affect fewer people. However, this remains is a complicated area for those who are affected and trustees who believe their members may be affected should contact us for assistance.



If your Threshold Income[1] is ~~£110,000~~ £200,000 or less, your AA is £40,000.

If your Threshold Income is more than ~~£110,000~~ £200,000 your Adjusted Income[2] determines your AA.

- AA reduces by £1 for every £2 your adjusted income exceeds ~~£150,000~~ **£240,000**
- Everyone has a minimum AA of ~~£10,000~~ **£4,000**

Don't forget some individuals (at any income level) have only a £4,000 "money purchase" Annual Allowance, following using certain Freedom & Choice options.

[1]*Threshold Income is broadly taxable income from all sources (less certain deductions).*

[2]*Adjusted Income is broadly Threshold Income plus the (AA measure of the) value of pension savings made in tax year.*

Technical updates for SSAS trustees

The Lifetime Allowance (LTA) will go up in 2021/22

The Lifetime Allowance (LTA) is expected to increase in line with CPI from £1,073,100 to £1,078,000 for 2021/22.

The LTA sets a limit on the value of total pension savings an individual can build up across all schemes before extra tax is payable. Funds are normally tested against the LTA when the individual starts to draw them.

The increase will mean that some retirees will pay less tax. For individuals with funds above the LTA, some LTA protections are available from HM Revenue & Customs which may reduce the extra tax payable. Please contact us for further details.

The minimum pension age will be 57 years old from 2028

The Government has confirmed that the minimum pension age - ie the age from which individuals can start to draw their pension benefits - will increase to age 57 (up from 55) from 2028.

What's not yet clear is exactly from what date the change will take effect and whether there will be any phased introduction or protection for those affected.

Broadly, the change will affect anyone born from 1971 onwards, who will need to wait a few more years before they can start to draw their pension benefits.

HMRC to upgrade their online service platform

We have previously highlighted that HMRC are moving their online services to a new digital platform. Although delayed, we understand they still intend to migrate existing data to the new platform in due course.

To ensure that all registered Scheme Administrators are migrated correctly to the new system, we suggest all trustees registered with HMRC log on to the HMRC website to check that the details held are correct and complete. This is particularly important for those who have delegated the reporting requirements to someone else (like LCP) to complete.

Another reason for logging on to the HMRC website is that in July 2020 HMRC stated that they will 'soon' start an ongoing programme of deleting credentials (user ID and password) for users who have not signed in for some time. If this happens you will have to register again as a new user.

Regulatory reporting requirements 2019/20

A reminder for all those connected with SSAS of the regulatory reporting requirements.

The Pensions Regulator's (TPR) scheme return

TPR is a separate government body to HMRC and they request completion of their own scheme return which is different to that requested by HMRC.

After a short pause in issuing requests earlier this year, we have recently seen TPR restart requesting the completion of their returns.

TPR requests the completion of their scheme return normally on a rolling three-year basis for schemes with two or more members. Although TPR usually provides trustees with notification of the requirement by post this is not always the case. We suggest that trustees regularly check the TPR's Exchange system (via their website) to see whether a return is due. TPR aims to give six weeks for the completion of the return and has the power to fine trustees for failing to do so.

As highlighted last year, TPR now ask trustees to confirm when they last checked the data they hold on their members to ensure it was complete and up to date. This is perhaps more appropriate to larger schemes, but TPR have adopted a blanket approach.

We would not normally expect trustees of SSASs to have a problem confirming their members' "common data"; after all it is generally data about themselves, and with the assistance of their professional advisers, the "scheme specific data" shouldn't be a problem, providing things like scheme accounts etc are up to date. Whether the data is readily to hand is another matter!

We can assist our clients meet the requirements by providing scheme and member statements which show the common and scheme specific data we hold with some appropriate commentary. We can also be appointed to complete TPR's scheme return on the trustees behalf if desired. Please contact us for assistance.

HM Revenue & Customs (HMRC)

HMRC requires Scheme Administrators to submit reports online. Their deadline for the submission of their reports for the 2019/20 tax year is 31 January 2021. Failure to meet the deadlines will result in automatic fines.

HMRC Scheme Return 2019/20

Earlier in the year, HMRC advised that they had decided not to issue any notices to file Scheme Returns for the 2019/20 tax year.

This is the case for clients for whom we normally complete the Scheme Return.

Trustees may wish to go online and check to make sure a notice to file a Scheme Return has not been received. If a notice has been received, they will need to arrange its completion.

We continue to monitor HMRC's website and guidance in case the position changes. If we have not been appointed as Authorised Practitioner (which enables us to complete HMRC's online reporting on trustees' behalf), we are happy to be so appointed - please contact us for details.

HMRC Event Report 2019/20

In addition to the scheme return, HMRC requires an Event Report to be submitted if certain events occur during each tax year. We have set out opposite some further information on the reportable events to help trustees determine whether or not an Event Report may need to be submitted. If a report is necessary the Scheme Administrator will need to arrange for its completion. If there is any doubt as to whether an event that has occurred needs to be reported, please let us have details and we will advise accordingly.

Where we are aware that a reportable event has occurred we have already written to clients regarding the next steps that need to be taken to submit the report. If a reportable event has occurred and LCP has been appointed as Authorised Practitioner we can submit the report. Otherwise the Scheme Administrator must arrange for the submission of the report.

Information Commissioners Office (ICO) registration

Trustees should remember to renew their registration with the ICO on an annual basis. The easiest way to do so is to simply pay the renewal via direct debit. Contact us for any assistance.

HMRC Event Report 2019/20

The Regulations set out numerous separate events covering many areas, most of which are unlikely to apply to schemes ordinarily. However, to help the Scheme Administrator determine whether an Event Report may be required, we have summarised below the type of events that require reporting.

Generally, the reportable events fall into two main areas: scheme events and member events. Please review the following list of events and if you think any of them may have occurred during the 2019/20 tax year please let us know as a matter of urgency so that we can advise whether it needs to be reported.

Scheme events

- Unauthorised payments[1].
- The purchase or sale of any taxable property[2] (or, if already held, any income received from such property), at any time during the tax year.
- A change in membership between certain bands (ie where the number of members has increased from 1 or above 11, or decreased below 2 or become 0).
- The wind up of the scheme.

Member events

- A member commences receipt of their benefits before normal minimum pension age - normally only possible on ill-health grounds.
- Commencement of benefits where the member's funds from all schemes have exceeded the Lifetime Allowance and the member has relied on any form of Lifetime Allowance protection.
- A lump sum is paid to a member who has any form of Lifetime Allowance protection.
- A lump sum is paid to a member that represents more than 25% of their share of the SSAS funds.
- Lump sum death benefit payments that amount to more than 50% of the Standard Lifetime Allowance that was applicable on the date of the member's death.
- The trustees are required to issue a Pension Savings Statement (usually when contributions paid in respect of a member exceed the Annual Allowance).

Transfers to Qualifying Recognised Overseas Pension Schemes are now reported separately and must be reported within 60 days of the transfer.

[1] An unauthorised payment is a legally defined term and includes, for example, a loan to a scheme member.

[2] Taxable property is a legally defined term and includes, for example, residential property, works of art etc. If in doubt, please contact us.

Any questions?

If you would like any assistance or further information on the contents of this SSAS update, please contact Peter Clarke or Patrick Moriarty or email enquiries@lcp.uk.com.

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