



Hazell Carr Small Self Administered Scheme (SSAS)

In-specie Contribution Guide

If you require this document in another format for ease of reading, please let us know.

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Important Note

This document is updated regularly.

In relation to a contribution of property or land, this document **must** be read in conjunction with our “SSAS – Commercial Property Guide” and “SSAS – Surveyor’s Guide”.

Please ensure you are referring to the latest documents, by contacting your SSAS Consultant.

Introduction

Background

It is possible for an asset owned by a Company or an individual in the UK to be transferred into a SSAS and treated as a contribution.

There are regulations applying to this, which are explained by this guide that must be met. With this in mind, **we strongly recommend** that the SSAS Member Trustees and members fully discuss any proposed in-specie contribution with their advisers before commencing any work, as it could lead to fees being applied.

The purpose of this guide is to provide you with an overview of the main points and detail our requirements. If the proposed contribution is property or land, this guide **must** be read in conjunction with our “SSAS – Commercial Property Guide” and our “SSAS – Surveyor’s Guide”.

You should note that we will require a SSAS to be established with a minimum amount of £10,000 funds on deposit before an in-specie contribution can be considered.

HMRC & Legal Debts

In-specie contributions in their strictest sense are not allowed as current legislation is framed in such a way that contributions need to be expressed as cash sums. However, it is permissible for an agreement to be made to pay a monetary contribution and then to settle this debt by way of a transfer of an asset or assets.

To satisfy this, an irrevocable legal debt must be created in relation to the transfer. Once in place, the SSAS Member Trustees must legally pursue this debt if it is then not satisfied. With this in mind, it is imperative that the contributor is fully aware of their commitment on establishing the irrevocable legal debt. Any fees in respect of pursuing any irrevocable legal debt that is not satisfied will be payable from SSAS funds.

A contribution is not deemed to have been paid until the legal ownership of the asset that is to be contributed has been transferred to the SSAS. The creation of a legal debt does not in its own right constitute a contribution being made; only the settlement of it does.

Risks

A formal debt has to be established as part of the process. This cannot be cancelled and must be pursued until it is settled. The value of the asset transferred is determined at the point at which ownership transfers to the SSAS.

If the asset value is less than the debt, then the SSAS Member Trustees must enforce settlement of the balance and this will include formal legal action. If the asset value is more than the debt, then the SSAS will need to pay the difference to represent a part purchase of the assets or it can be regarded as an additional contribution to the scheme.

A practical example may help explain how this works:

- The sponsoring employer of the SSAS decides to contribute shares to the SSAS. Rather than sell the shares and then repurchase them in the SSAS, an in-specie contribution is pursued.
- The shares will be valued at the initial stage and the relevant paperwork is submitted. The value of the shares at the initial stage is, for example £8,000.
- The legal debt for £8,000 is created and the paperwork is completed.
- The transfer of shares to settle the debt proceeds and at the time of the transfer the value has reduced to £7,000.
- A £1,000 legal debt has now been created and the SSAS Member Trustees are legally bound to pursue this debt.

Our Fees

Hazell Carr Pensions Services (HCPS) will apply charges for the work we carry out in relation to any in-specie contribution and/or additional work linked with the transfer of ownership of the asset. Details of these charges are available on request from HCPS. These fees are in addition to any legal or valuation fees.

HCPS cannot be held responsible for any fees that arise with any proposed or actual transaction.

Our Role

Our key role is to ensure that any transaction is acceptable and meets HMRC requirements. In addition, we are here to help co-ordinate the transfer of ownership and assist all parties through the various stages.

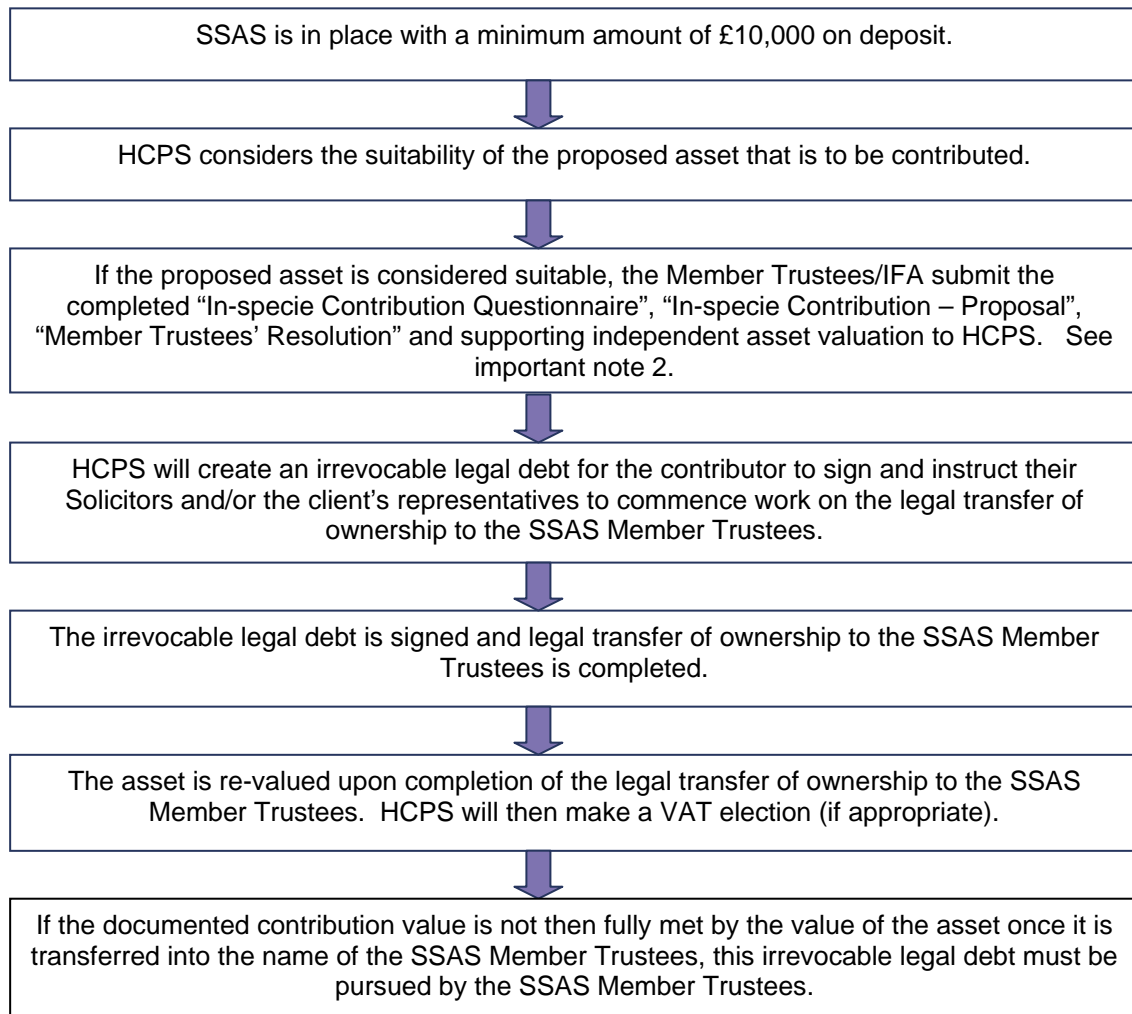
We will not be responsible for, or involved in, the reclamation of any tax relief on the contribution. However, you should note that the contribution is deemed to be paid, and hence relief claimable, when the ownership of the asset has transferred.

Timescales

The time needed for the transfer of the ownership of an asset will vary depending on what this is and when it is agreed as an acceptable asset. In addition, there will normally be a number of parties involved in these transactions and their co-operation is vital to ensuring transactions are completed on time.

As an example, it will generally take around 3 months to complete an in-specie contribution of commercial property or land.

1. In-specie Contribution – Summary



Important Notes

1. The minimum amount on deposit is required in case the SSAS Member Trustees need to legally pursue any shortfall between the documented irrevocable legal debt and the actual value of the asset on the transfer of its ownership to the SSAS.
2. Where the proposed contribution is property or land, please also refer to our “SSAS – Commercial Property Guide” and “SSAS – Surveyor’s Guide”. Section 3 of the “SSAS – Commercial Property Guide” provides a summary that will also relate to a property contribution as well as a purchase. In addition, the Member Trustees/IFA must submit a fully completed “Commercial Property/Land Purchase Questionnaire”, which is part of Section 9 in relation to the proposed contribution.
3. The Member Trustees/IFA must ensure that there are sufficient funds available in the SSAS bank account from contributions/transfers and that borrowing is agreed in principle (if required) to cover all costs (e.g. stamp duty, VAT (if applicable)) and expenses.
4. The SSAS will be represented by Bevirs Solicitors (in England & Wales), Harper Macleod (in Scotland) and Shean Dickson Merrick (in Northern Ireland). Full details of our chosen Solicitors are provided in the “SSAS – Commercial Property Guide”.

2. In-specie Contribution Questionnaire

Please complete the questionnaire below. In addition, you must also provide the documents that are entitled "In-specie Contribution – Proposal" and "Member Trustees' Resolution" that form part of this guide.

(a) Is this to be a multi-member contribution? If so, please provide the name of each SSAS member below and the proposed split of the in-specie contribution between the members.	
(b) Please fully describe the asset that is to be transferred as a contribution.	
(c) Name of contributor and is the contributor "connected" to the member(s)?	
(d) Please provide full details of any Solicitor or Stockbroker that will be acting on behalf of the contributor.	
(e) Is the entire value of the asset to be treated as an in-specie contribution or is part of the transaction to be a purchase? If it is part contribution/purchase, please detail the split below.	
Contribution: £	Purchase: £
(f) Is VAT payable? If so, is the SSAS to "elect to tax"?	
(g) What is the current value of the asset and how has this been valued? Please ensure that you provide a copy of the valuation.	
(h) Is there any existing borrowing secured against the asset that is to be transferred as a contribution? If so, will this be fully settled beforehand? If not, what is the current outstanding amount, whom is the borrowing from and what are the intentions with this borrowing?	
(i) If the assets to be contributed are shares, please confirm if these are quoted or unquoted shares. Whether quoted or unquoted, please confirm if the shares are in a Company that is directly controlled by a "connected party" or indirectly by another Company that is controlled by a "connected party". In addition, if quoted, please name the Stock Exchange.	

In-specie Contribution – Proposal

(“the Scheme”)

..... of
..... (“Proposed Contributor”) hereby wishes to make the
in-specie contribution detailed in Schedule 1 below to the Scheme.

For the avoidance of any doubt, this letter is simply a notification of the Proposed Contributor’s wish to make the in-specie contribution detailed in Schedule 1 below to the Scheme. This does not create an irrevocable legal debt in favour of the Scheme for value detailed in Schedule 1. However, the Proposed Contributor understands that such an irrevocable legal debt will need to be created and in place before the in-specie contribution detailed in Schedule 1 is made.

The Proposed Contributor accepts and understands the implications of the creation of an irrevocable legal debt.

Schedule 1

In-specie
contribution:

Contribution £
value:

Proposed
Contribution
Date:

Signed on behalf of the Proposed Contributor*: -

.....
.....

Date:

*Where the Proposed Contributor is a Company, this should be signed by two Directors or one Director and the Company Secretary.

Member Trustees' Resolution

I/We the undersigned hereby declare: -

1. That all relevant information has been/will be provided in relation to the proposed in-specie contribution.
2. That I/we understand that I am/we are fully responsible for ALL disbursements, legal fees, valuation fees and any other fees incurred in this matter even if the transaction is not completed, irrespective of the reason, and that such fees must be met from existing SSAS funds. We hereby authorise HCPS to meet any of these fees from the SSAS funds.
3. That I/we have read HCPS' "In-specie Contribution Guide", and where appropriate "SSAS – Commercial Property Guide" and "SSAS – Surveyor's Guide".
4. The information that we have provided is true to the best of our knowledge.
5. In relation to HCPS' view on the suitability of an asset that is a proposed contribution, I/we accept that this will be based on their understanding of pension legislation. I/we indemnify HCPS from any liability should a legal debt be created but then the asset cannot be transferred due to legal issues and/or anything previously undisclosed.
6. In relation to any transfer of ownership of and operation of a hotel (or similar), which would or could be classed as an indirect investment in Taxable Property, this will be used for the sole purpose of the Tenant's trade and no member or connected persons will have the use of the premises or the facilities. I/we indemnify HCPS from any liability should a taxable charge result from such an investment or inappropriate use of it by members or connected persons.

Please sign on the dotted line and print your name where indicated. All Member Trustees **must** sign this Resolution.

Date

Signature:

Signature:

Print Name:

Print Name:

Signature:

Signature:

Print Name:

Print Name:

Contacting HCPS

HCPS SSAS Department
Xafinity
Scotia House
Castle Business Park
Stirling
FK9 4TZ

www.xafinity.com

Tel: 01786 434250

Email: SSAS&SIPP@xafinity.com

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