

Small Self Administered Scheme

Member's Guide



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1 Introduction and Contact Details

An A J Bell Small Self Administered Scheme (SSAS) allows company directors to maintain control of their pension arrangements within a flexible and tax efficient environment. These schemes are ideally suited for shareholding directors of small to medium sized limited companies.

The SSAS is governed by a trust deed and rules and is a separate legal entity from the sponsoring company.

To benefit from the full flexibility of a SSAS, the membership should be restricted to less than 12 members and all members must be trustees.

Company contributions can be varied in line with profitability and there is no contractual commitment to pay any particular level of contribution.

The trustees can invest scheme assets in a wide range of areas including cash deposits, quoted stocks and shares, fixed interest stocks and unitised funds. The trustees can also purchase commercial land and property, assisted by external borrowing if required, to lease to the company or a third party, and can also lend money on commercial terms to the sponsoring employer.

There are various tax benefits available, under current legislation:

- employer contributions are allowable as a deduction against corporation tax, provided that they are made wholly and exclusively for the purpose of its business;
- member contributions attract tax relief at the highest rate;
- investments accumulate free of income and capital gains tax; and
- a proportion of the benefits can be paid out as a tax-free lump sum on retirement or death.

Flexibility and control can be maintained even beyond retirement as, where appropriate, pensions can be paid out of the accumulated scheme assets, rather than through the purchase of an annuity.

This Guide provides members, or prospective members, with a summary of the main features of an A J Bell SSAS. Please contact your adviser if you require further information.

You may contact us at the following address:

**A J Bell Platinum
Trafford House
Chester Road
Manchester
M32 0RS
Tel: 0845 25 05 610
Fax: 0845 40 89 200
Website: www.ajbell.co.uk
E-mail: platinumssas@ajbell.co.uk**

2 What is a SSAS?

A SSAS is a registered pension scheme under Chapter 2 of Part 4 of Finance Act 2004, established by an employer to provide pension and death benefits for its directors and senior employees.

The scheme is established by trust deed and rules and all of the members will be appointed to act jointly with A J Bell Trustees Limited, as trustees of the scheme and scheme administrator for the purposes of Finance Act 2004.

As trustees, the members will be able to decide how the assets of the scheme are invested, subject to the limitations described below. Members will also have considerable flexibility over the form, and timing, of their benefits.

The trustees, as scheme administrators, will be legally responsible for ensuring that the scheme meets the requirements for registered schemes set out in Finance Act 2004. However, A J Bell Limited will take on much of the day to day administration work and will provide the services set out in the Terms of Business agreement with the trustees.

3 Membership

The company establishing the scheme ("the principal employer") will be able to decide initially who will be invited to join the SSAS.

In general, any individual employed by the principal employer, or by any other employer who has executed a deed agreeing to participate in the scheme ("a participating employer"), may become a member of the scheme. In addition, family members who are not employed by the principal, or participating employer may be members.

No individual under the age of 18 can become a member of the SSAS, as they are unable to act as a trustee.

4 Contributions

4.1 Employer's contributions

Contributions can be paid to a SSAS by the principal employer and any participating employer.

There is now no limit set by Her Majesty's Revenue & Customs ("HMRC") on the contributions that can be paid by an employer to provide benefits for its employees.

Contributions can be varied in line with profitability and there is no contractual commitment under an A J Bell SSAS to pay any particular level of contribution. Contributions may be paid on a regular basis or as one-off, single contributions.

Contributions paid by an employer will be allowable as a deduction against corporation tax, provided that they are made wholly and exclusively for the purpose of its business. Where contributions are being paid for shareholder directors, or anyone connected with such a person, the employer should take advice from a tax adviser to check that the contribution will meet the 'wholly and exclusively' test before a contribution is paid.

Contributions must clear the employer's bank account prior to its financial year end to ensure that tax relief on the contributions is received in the year of payment.

Members will not normally be taxed on contributions paid by their employers.

Although there is no specific limit on employer contributions a member will face a tax charge, if contributions paid by, or on the member's behalf, exceed the annual allowance (see section 4.5 below).

4.2 Member contributions

A member of a SSAS may make contributions on a regular, or one-off, basis. Members not currently employed by a scheme employer (e.g. ex-employees or family members) may make contributions to the SSAS, subject to the agreement of the principal employer.

There is no minimum contribution level.

HMRC do not place a limit on the amount of contributions that may be paid by a member. However, there is a limit on the amount of tax relief available on contributions paid by members to all registered pension schemes (employer contributions are excluded for this purpose). For each tax year, a member may get tax relief on contributions paid up to the higher of:

- £3,600 (the Basic Amount); and
- 100% of UK earnings.

Members will receive tax relief at their highest rate of income tax on all member contributions. Normally this will be provided through the net pay arrangement (i.e. contributions will be deducted from a member's salary before tax is calculated). Members must consult their employer if they want to pay member contributions.

Please also read section 4.5 for information on the annual allowance for contributions.

Once the SSAS is established members can arrange to pay future single contributions and/or to increase/decrease regular contributions at any time.

4 Contributions (cont)

4.3 Enhanced and fixed protection

It is very important to note that if a member has registered with HMRC for enhanced protection (for pension rights built up before 6 April 2006) or fixed protection (which protects the value of benefits up to £1.8 million) the payment of any contribution to the SSAS will lead to the loss of this protection.

4.4 Payment of contributions in the form of property or shares

We may accept contributions in the form of commercial property. If you are interested, please ask your adviser for details of our requirements.

We will not currently accept contributions in the form of shares.

4.5 Annual allowance for contributions

The annual allowance is the mechanism by which HMRC restrict tax relief on large contributions.

The annual allowance is £50,000 for 2012/13.

If for any 'pension input period' ending in the tax year, the total of:

- contributions paid to registered pension schemes by you, or on your behalf (including any paid by an employer); and
- the increase in the value of your benefits under any final salary schemes

is greater than £50,000 you will exceed the 'annual allowance'.

A factor of £16 per £1 p.a. of pension will be used to value the increase in benefits under a final salary scheme.

For the purposes of each member, the pension input period will always coincide with the scheme year unless the member notifies the trustees that they wish it to end on a different date in any tax year. If a member thinks they may be affected by the annual allowance they should consult a financial adviser.

If you exceed the annual allowance, you may be able to "carry forward" your unused annual allowance from the previous three tax years. Carry forward is subject to a maximum of £50,000 for each tax year, and the amount you can carry forward is reduced by your annual allowance usage during those tax years.

If having made use of carry forward you still exceed the annual allowance, you will have to pay a tax charge on the excess. The tax charge will be based on the marginal rate of tax relief received on the contribution.

5 Transfers

5.1 Transfer of pension benefits into a SSAS

A member's benefits under any other UK registered pension scheme can be transferred into the SSAS.

Benefits can be transferred into the SSAS, even if the member has commenced income withdrawal (drawdown pension or flexible drawdown) under the transferring scheme.

If income withdrawal has commenced under the transferring scheme, the value of those benefits will be held separately from the other benefits under the SSAS and will be subject to the same maximum income limit and pension year as under the transferring scheme.

Transfers can take the form of a cash payment to the SSAS from the transferring scheme, or a transfer of investments held under the transferring scheme ("an in-specie transfer"). However, any investment transferred 'in-specie' must be an acceptable investment for an A J Bell SSAS (see section 6 'Investments').

Please provide us with details of the portfolio of investments under the transferring scheme and we will advise you of our further requirements.

A member must complete a separate Transfer Form for each transfer to be paid to the SSAS. Transfer Forms are available from your adviser, on request.

5.2 Transfers to another pension scheme

A member can transfer the full value of their fund under the SSAS to another UK registered pension scheme, at any time.

The transfer can either be in the form of a cash payment or by an in-specie transfer of assets held by the SSAS to the receiving scheme.

The transfer will always be made direct to the trustees or administrator of the receiving scheme.

6 Investments

6.1 Overview

The SSAS is a separate legal entity to the company, and the trustees, normally with the assistance of professional advisers, are responsible for determining and implementing the investment policy.

The trustees can invest in a broad range of investments all of which accumulate free of income and capital gains tax. This includes:

- UK quoted stocks, shares, gilts and debentures;
- shares quoted on the Alternative Investment Market (AIM);
- stocks and shares traded on a recognised overseas stock exchange;
- futures and options, relating to shares quoted on a recognised stock exchange;
- unit trusts, investment trusts and OEICs;
- hedge funds;
- insurance company funds; and
- bank and building society deposits.

In general, shares and other investments must always be registered in the name of an appropriately authorised nominee company.

Other areas of investment that are available to trustees of a SSAS are described in more detail in the following sections.

6.2 Commercial land and property

The trustees can invest directly in commercial land and property but apart from a small number of exemptions, there must be no residential element involved.

The purchase of commercial property within a SSAS has proved very popular as the property is effectively purchased with funds that have enjoyed the benefit of tax relief. Purchasing property from the sponsoring employer can assist in raising funds within the business, whilst the trustees retain control of the property. Any property held within the SSAS is sheltered from creditors of the business in an environment where all rental income and capital gains are free of tax.

All property transactions must take place on an arm's length basis. If the property is being purchased, sold or let to a sponsoring employer, a member, or any connected person, the value of the property and the rental value must be confirmed by a chartered surveyor. Connected for this purpose is defined in section 839 of the Income and Corporation Taxes Act 1988. The definition is quite complicated although does include the member, close members of their family and any business with which they are associated.

The SSAS trustees may register for VAT, although we cannot provide any tax advice.

Property notes giving more detailed information on property purchase are available upon request.

6.3 Trustee borrowing

The trustees can borrow funds to assist in the purchase of an asset or to create liquidity for the provision of benefits.

Trustee borrowing is restricted by HMRC to 50% of the net asset value of the SSAS, immediately prior to the borrowing taking place. This limit includes existing borrowing and any amount borrowed to finance VAT on the property purchase.

The Trustees can borrow from any commercial lender, subject to their agreement to the terms.

6.4 Loans

The trustees may make loans to the principal employer, or any other company participating in the scheme, subject to the conditions laid down by HMRC. These conditions are:

- Maximum amount – in aggregate, 50% of the net market value of the assets of the SSAS;
- Security – a first charge over property which is of at least equal value to the loan;
- Interest rate – at least equivalent to the rate prescribed for this purpose by HMRC (i.e. 1% above bank base rate);
- Term – no longer than 5 years;
- Repayment – in equal instalments of capital and interest for each year of the loan.

The trustees cannot make loans to members of the scheme, or anyone connected with a member.

6.5 Unquoted shares

Under Finance Act 2004, a SSAS may acquire shares in one, or more, sponsoring employers provided that:

- the market value of the shares in any one employer is less than 5% of the total net asset value of the scheme;
- and
- the market value of shares held in all sponsoring employers is less than 20% of the net asset value of the scheme.

However, any investment in the shares of a company controlled by a member, or an associated person, will result in significant tax charges on the member and on the scheme. Therefore, it is unlikely that such an investment will be attractive in future.

Although a SSAS can invest in other unquoted shares, there are complex restrictions imposed by HMRC and, when coupled with other administrative requirements (e.g. obtaining valuations, voting rights, shareholder protection issues and warranty/indemnity issues on sale), it is very unlikely that such investments will be acceptable. If you wish us to consider the purchase of unquoted shares then full details should be forwarded to A J Bell.

6 Investments (cont)

6.6 Prohibited investments

Certain categories of investment are not permitted for an A J Bell SSAS and these include:

- residential property, and associated land;
- ground rents;
- tangible, moveable property (i.e. things that you can touch and move, including assets such as art, antiques, jewellery, fine wine, classic cars); and
- loans to members and anyone connected with a member

If you wish us to consider any particular asset that is not referred to above then full details should be forwarded to A J Bell, for clarification.

7 Member Benefits

7.1 Is there a limit on the amount of benefits?

The member's benefits will be determined by the value of his fund under the SSAS at the time benefits commence. The trustees will determine the value of each member's fund based on the contributions paid, transfers received and return on scheme investments.

There is no HMRC limit on the benefits that may be provided for a member under the SSAS. However, if the total value of the member's pension savings, under all registered pension schemes, exceeds the 'lifetime allowance' then there will be an additional tax charge, called the lifetime allowance charge, on the excess. The lifetime allowance is currently £1.5 million. For more information on the lifetime allowance and the lifetime allowance charge please see 7.6.

7.2 When can benefits commence?

Subject to the agreement of the trustees, a member can commence benefits, irrespective of whether or not they continue to work, at any time from age 55. It may be possible to commence benefits earlier if the member is in serious ill-health.

A member can choose to take benefits from all, or only part, of their fund. This will enable the member to phase their benefits to suit their own personal circumstances.

7.3 Pension commencement lump sum

In general, a member may choose to receive a pension commencement lump sum up to the lower of:

- 25% of the value of the fund designated to provide their benefits; and
- 25% of their unused lifetime allowance.

If the member is entitled to a protected lump sum of more than 25% in respect of pension rights built up before 6 April 2006 (e.g. as a consequence of registration for enhanced or primary protection), then a pension commencement lump sum of more than 25% may be paid.

A pension commencement lump sum is currently payable tax-free.

If a member takes a pension commencement lump sum with the intention of recycling some, or all of it, either directly, or indirectly, to fund a significant increase in pension contributions then the lump sum will be treated as an unauthorised payment. The member will be taxed on the payment at between 40% and 55% and the SSAS will also be subject a further tax charge of between 15% and 40% (depending on how much of the tax charge the member has paid).

7.4 Pension Benefits

After the pension commencement lump sum has been paid, the member's remaining fund will be designated to provide a pension in one of three ways:

Drawdown pension (capped drawdown)

The member's drawdown pension fund remains invested and the member can draw an income from the fund (income withdrawal), up to the maximum level set by HMRC. There is no minimum level of income, so the member can elect to receive a "nil" pension if they choose.

The member can choose to take a regular income and/or a series of one-off payments to suit their individual circumstances.

The maximum level of annual income is set at 100% of the Government Actuary Department's (GAD) relevant annuity rate, based on the member's age and the value of the drawdown pension fund at the date funds are first designated to provide drawdown pension and at each subsequent review.

The maximum income level will be recalculated every three years.

We will not allow the purchase of short term annuities to provide income from your drawdown pension fund.

Subject to the agreement of the trustees, the member can choose to purchase a lifetime annuity with their drawdown pension fund at any time.

If you purchase an annuity from your drawdown pension fund before your 75th birthday a further lifetime allowance check will normally be carried out.

7 Member Benefits (cont)

A further lifetime allowance check will also be carried out on your drawdown pension fund at your 75th birthday unless the drawdown pension commenced before 6 April 2006 and no further funds have been added to that drawdown pension fund on or after that date.

Any drawdown pension funds transferred in from other registered pension schemes will be kept separate from any other funds held for a member under the SSAS and will be subject to their own limits and review periods.

Flexible drawdown

Flexible drawdown is an option allowing you, if you meet certain conditions, to draw funds from your SSAS without any annual limits.

You have the flexibility to withdraw all of the funds from your SSAS in one go, to draw a regular income over and above the "capped drawdown" limits to suit your ongoing requirements, or simply to draw additional funds to suit one-off circumstances.

The flexible drawdown option is only available to you if you are able to meet a Minimum Income Requirement (MIR). In order to meet the MIR you must have secure retirement income of at least £20,000 per annum. Income from state pensions and lifetime annuities qualifies for the MIR, but income from drawdown pensions and non-retirement income does not.

Additionally, if you make a contribution to any pension scheme (or accrue benefits in a final salary scheme), you may incur significant tax charges.

You cannot use flexible drawdown if contributions have been paid to a registered pension scheme in your name in the same tax year. If you do, flexible drawdown payments may be classified as 'unauthorised' and be subject to unauthorised payment charges. If you make contributions once you have taken flexible drawdown, they will be subject to the annual allowance charge.

Lifetime Annuity

Purchasing a lifetime annuity involves passing the value of the member's fund (after payment of any pension commencement lump sum) to an insurance company, chosen by the member, who will then provide the member with a regular, taxable, income throughout their life.

The annuity available will depend on the value of the member's fund and the annuity rates at the date of purchasing the annuity. It may also be possible to obtain 'impaired life' rates, which will provide a higher income for a member who is in poor health.

The annuity income may increase each year; may be guaranteed for up to ten years (i.e. paid irrespective of whether the member is alive) and may continue, normally at a reduced level, to a surviving spouse or dependant.

If an annuity is purchased, the trustees will cease to have any involvement with the investment of the member's pension fund. This may be a price worth paying if security of income is an important issue.

7.5 Taxation of pension payments

All pensions paid will be subject to income tax under PAYE. The scheme administrator will deduct the tax due before paying the pension and will account for it to HMRC.

If a lifetime annuity has been purchased, the insurance company will be responsible for the payment of income tax.

7.6 How does the lifetime allowance work?

The Government has set the standard lifetime allowance at £1.5 million 2012/13.

Each time new benefits commence ("crystallise") a portion of the member's lifetime allowance is used up. When you reach your 75th birthday any uncrystallised funds will also use up a portion of your lifetime allowance, as may any benefits crystallised after April 2006.

Once the member has used up their lifetime allowance, any benefits paid above the allowance will be subject to the lifetime allowance charge. If excess funds are used to provide a taxable pension, the lifetime allowance charge is 25% of the excess above the lifetime allowance. Alternatively if excess funds are paid as a lump sum, called a lifetime allowance excess lump sum, the lifetime allowance charge is 55%. The scheme administrator must deduct this tax charge from the member's fund and pay it to HMRC before paying any benefits.

If a member has built up substantial pension savings before 6 April 2006 and has registered for enhanced and/or primary protection ('transitional protection') with HMRC then this may reduce, or eliminate, any lifetime allowance charge that would otherwise be payable.

You could also lock your lifetime allowance at £1.8 million by applying for fixed protection before 6 April 2012. If you hold fixed protection any further contributions to registered pension schemes will cause the loss of the protection.

7.7 Do I have to take benefits?

No. You are not forced to take lump sum or pension benefits from your SSAS at any time.

However the tax charges applied to lump sum death benefits paid from your income drawdown fund will also apply to the undrawn part of your fund from your 75th birthday.

8 Death Benefits

8.1 Death benefits paid from the SSAS

Death benefits will be paid as a lump sum or may be applied to provide pension benefits for a spouse, civil partner or dependant, either under drawdown or by annuity purchase. Death benefits are payable at the discretion of the trustees of the SSAS. You may nominate the individuals you wish to receive benefits and your wishes will be taken into account. You may complete a new nomination at any time.

Lump sums paid on death are normally free of any Inheritance Tax but we cannot guarantee that this will be the case. Any lump sum death benefit paid from an income drawdown pension fund will be subject to a tax deduction of 55% (2012/13).

8.2 Death benefits paid from a Lifetime Annuity

If you die after an annuity has been purchased then the benefits payable, if any, will be determined by the terms of the annuity contract.

9 Miscellaneous

9.1 Governing documentation

The SSAS is a scheme registered with HMRC under Chapter 2 of Part 4 of Finance Act 2004. It is governed by a trust deed and rules between the principal employer and the trustees, as amended from time to time.

This Member's Guide summarises the main provisions of the trust deed and rules and of the HMRC regulations that apply to the SSAS and generally to registered pension schemes. However, in the event of any discrepancy between this document and the trust deed and rules the trust deed and rules will prevail.

9.2 Unauthorised payments

This Member's Guide describes the main forms of authorised payments that can be paid by a registered pension scheme. We cannot be compelled to make any payment or investment that is not authorised by Finance Act 2004.

If an investment transaction is carried out between the SSAS and a connected person, including the principal, or a participating, employer, a member, or someone connected with the member or an employer, and it is not carried out at market value, then this will also create an unauthorised payment.

The amount of the unauthorised payment will be the difference between the actual value of the transaction and the market value. Non-payment of rent by a connected person will also generate an unauthorised payment. Excessive borrowing will also lead to a tax charge against the SSAS.

The scheme administrator is required to report any unauthorised payments to HMRC. If an unauthorised payment is made, then the relevant member, or the person who receives the payment (including the principal, or a participating, employer), will be subject to a tax charge of between 40% and 55% of the payment. The scheme administrator of the SSAS will also be subject to a further tax charge of between 15% and 40% of the payment, depending on the amount of the tax charge that the member has paid. In extreme circumstances, HMRC may de-register the SSAS in which case a further tax charge of 40% of the value of the SSAS will be payable to HMRC.

9.3 Services provided by A J Bell

A J Bell Limited provides the full range of administration and trustee services required to operate a SSAS and full details of the services available and our charges are available on request.

Neither A J Bell Limited nor A J Bell Trustees Limited can provide you with any investment or financial advice, although we will be delighted to work in conjunction with your other professional advisers.

The administration of small self administered schemes is not currently regulated by the Financial Services Authority. A J Bell Limited and A J Bell Trustees Limited do not conduct any regulated activities and are, therefore, not regulated under the Financial Services and Markets Act 2000.

9.4 Complaints

If you have a complaint about the service provided by A J Bell, please contact us in the first instance at:

A J Bell Limited
Trafford House
Chester Road
Manchester
M32 0RS
Tel: 0845 25 05 610
Fax: 0845 40 89 200
E-mail: platinumssas@ajbell.co.uk

If your complaint concerns the administration of your SSAS, you may be referred to:

The Pensions Advisory Service (TPAS)
11 Belgrave Road
London
SW1V 1RB
Tel 0845 601 2923

This will not affect your legal rights.

9 Miscellaneous (cont)

9.5 Further information

For further information, please contact your adviser or A J Bell at the address shown above or via our website www.ajbell.co.uk.

The information contained in this Member's Guide is provided based on our understanding of current law, practice and taxation, which may be subject to change.

The law of England and Wales will apply in all legal disputes.

10 Regulatory

A J Bell includes A J Bell Holdings Limited and its wholly owned subsidiaries A J Bell Management Limited, A J Bell Limited and A J Bell Securities Limited.

A J Bell Management Limited is authorised and regulated by the Financial Services Authority. A J Bell Securities Limited is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority.

Sippdeal, Sippdealxtra and SIPPcentre are platforms provided by A J Bell Management Limited. A J Bell Platinum SIPP is provided by A J Bell Management Limited. A J Bell Platinum SSAS is provided by A J Bell Limited.

The companies listed in the adjacent table are all registered in England and Wales at Trafford House, Chester Road, Manchester M32 0RS.

Company	Company Number	VAT Number
A J Bell Holdings Limited	4503206	833 5478 13
A J Bell Management Limited	3948391	759 3531 03
A J Bell Limited	3091664	639 0316 44
A J Bell Securities Limited	2723420	918 4226 21