FACT SHEET 7

@sipp

Using a SSAS to provide funding to a business

Both SIPP and SSAS operate under the same tax regime that govern all pension schemes and allow self-investment. But whilst a SIPP is not permitted to make a loan to any connected parties, a SSAS differs slightly in this regard. Schemes are associated with a sponsoring employer, typically the client's Limited Company, and can facilitate a loan to the business.

What is a SSAS Loanback?

This is an investment by the scheme where funds are loaned to the sponsoring employer.

These funds can then be used by the business for a variety of purposes, such as business expansion and acquisition of assets.

SSAS loan back rules

SSAS loans are subject to a number of limits and regulations. The loan must be:

1. **Limited to 50% of the scheme value**
2. **A maximum term of five years**
3. **Secured against an unencumbered asset with a value equal to the loan plus interest**
4. **Repaid at least annually in equal instalments of capital and interest**
5. **Set with an interest rate at least 1% above the base lending rate***

*This is the average in the base bank lending rate between the main six high-street lenders – in practise, this is usually the BoE base rate

Loan back security – What is considered an acceptable asset?

First and foremost, the asset earmarked for loan security must be unencumbered. This is because a loan back requires a first charge to be placed onto the asset.

In most cases, the ideal form of security is a commercial property. This is because a charge can be placed onto the asset relatively simply. Plus, in a worst-case scenario, if the loan were to default, the scheme would then adopt this asset without adverse tax implications.

Other assets could be considered if a first charge can be placed over them. However, it is important to consider the implications of that asset forming part of the SSAS, particularly where there would be adverse tax implications. Examples of this include:

- Tangible moveable assets such as vehicles and machinery
- Company assets such as stock
- Residential property

We recommend speaking with our BDM team in advance to understand the viability of any proposed loan security.

Why should I consider SSAS?

- ✔ With a higher bank interest rate environment, raising capital from mainstream sources can be a costly process. Loaning funds from a SSAS could reduce margin costs.
- ✔ As interest is paid to the scheme, this also directly benefits the SSAS and its scheme members (rather than a bank's shareholders).
- ✔ Furthermore, there is clarity in this process, which can often mean that loan funds are made available more quickly in comparison to other sources of lending (provided the key loan tests are met and loan back can be paid out).

Why choose @sipp for SSAS?

- ✔ We have been supporting advisers and their clients since 2001 with bespoke self-invested solutions.
- ✔ We can trace our roots in the SSAS industry back even further to the early 1980s.
- ✔ We love SSAS and can offer you and your clients a leading technical solution.

Introducing the @SIPP Business Development Team

Flexibility, technical expertise and industry-leading customer service.
It's all at your disposal. Just drop us a line.

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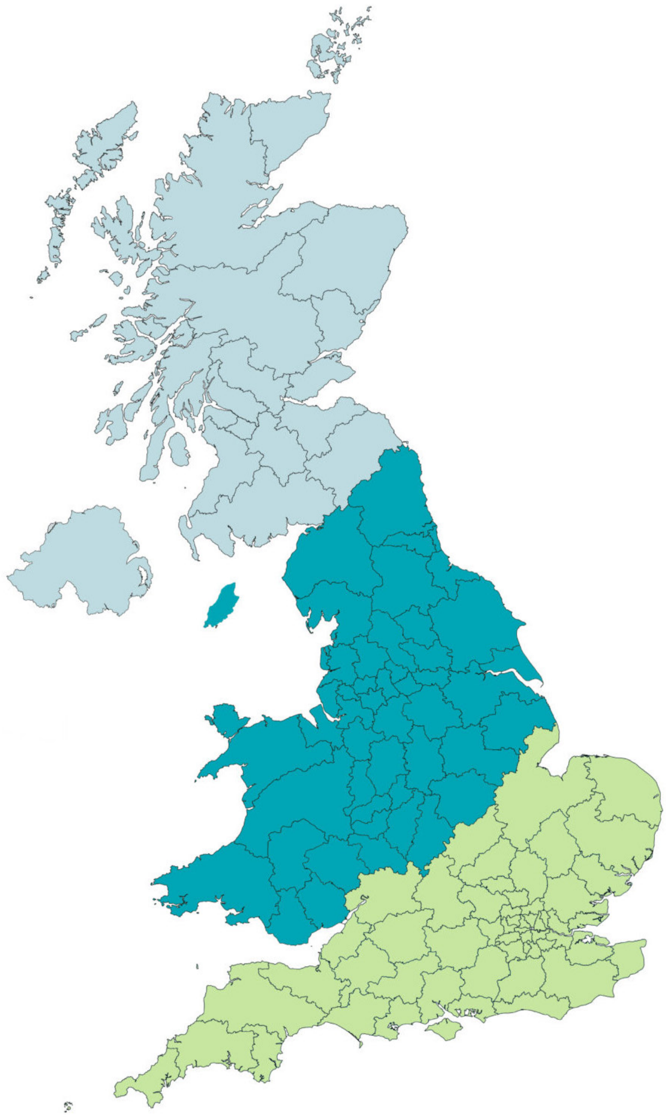

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