

SSAS property purchase

A Case Study



The Facts:

- > Family owned company with its own premises
- > John Smith, aged 52, and his son Andrew, aged 25
- > Both have funds in personal pensions
- > Company sets up a SSAS and pension funds are transferred
- > SSAS funds used to purchase business premises from the company.

Advantages:

- > Utilise pension funds to release capital within the business
- > Any gain on the property value within the SSAS is free from CGT
- > Rent paid to the SSAS is free from Income Tax
- > Rental income paid by the company can be treated as a business expense for its tax purposes and is paid to John and Andrew's pension scheme rather than to a third party
- > Property is outside the members estate for inheritance tax
- > Company can pay administration costs of SSAS as a deductible expense.

Key Points:

Property purchase price*	£292,000
Estimated associated costs (e.g. Stamp Duty Land Tax, surveyor's fees, solicitors and legal fees, lender's fees)	£ 8,000
Total cost	£300,000

How:

John	£140,000 transfer from existing personal pension - can borrow £70,000 = £210,000 (70% of the total cost)
Andrew	£60,000 transfer from existing personal pension - can borrow £30,000 = £90,000 (30% of the total cost)
Rent to SSAS	£25,000 pa (lease is for 10 year term with a rent review after 5 years), allocated as follows:
John	£17,500 pa (70% of rent)
Andrew	£7,500 pa (30% of rent)

*As the SSAS members' company is both vendor and tenant of the property, the purchase price and the rent to be charged under the lease must be the market value of each as confirmed by an independent surveyor, who is not only a Fellow or Member of the Royal Institution of Chartered Surveyors (RICS) but also a Registered Valuer.

The Result:

The rent is used to service the mortgage along with future contributions. Once the mortgage is settled, ongoing rent and contributions build up the liquidity to pay benefits to Mr Smith when he reaches age 65 and wishes to draw benefits from the scheme.

Please note: As continuing income can service pension payments, the property will not need to be sold.

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If VAT may be applicable, you should seek specialist advice.

Whilst the names used in this case study are fictitious, the processes described have been used in actual cases.

Please note that every care has been taken to ensure that the information provided is correct and in accordance with our understanding of current law and HMRC rules, which are both subject to change.



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