Dentons Pensions

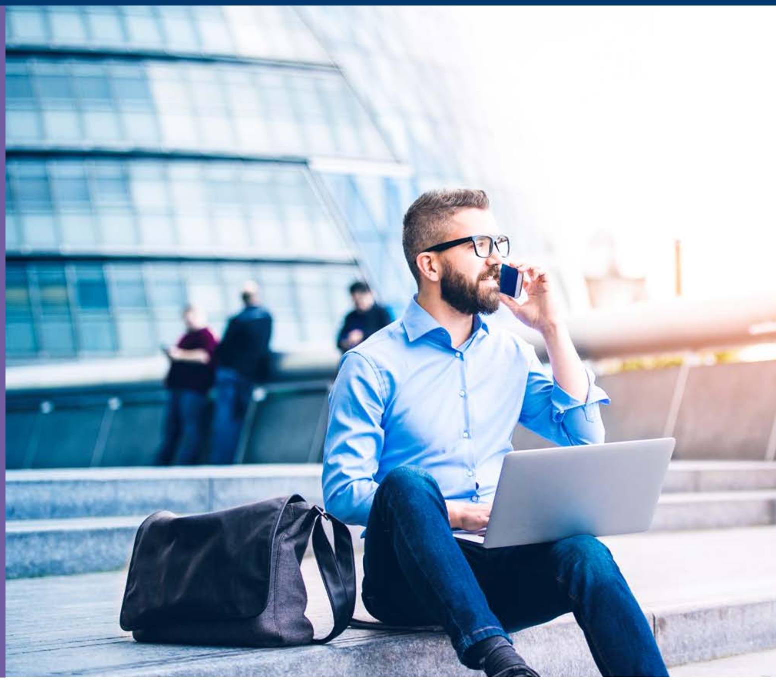
INFORM

Newsletter June 2025

IN THIS ISSUE

- Pension Inheritance Tax proposals - further considerations
- Special Fee Offer - Property Transfers-In
- Why regulated financial advice is important
- Our latest company news

Welcome to the latest edition of the Dentons Inform newsletter.



Pension Inheritance Tax proposals – further considerations

In our previous Newsletter and article of 21 November 2024 we outlined the proposals set out by the Chancellor of the Exchequer in her Budget Statement of 30 October 2024.

The Consultation closed on 22 January 2025 and it has been reported that there were over 500 respondents - significantly more than HM Revenue & Customs (HMRC) obtained on the abolition of the Lifetime Allowance (LTA). That, in itself, is telling of the importance being placed by the financial services industry on the changes involved in bringing most pensions within scope of Inheritance Tax (IHT). We understand that HMRC are considering the feedback, and we hope draft legislation will be provided later this year, however further industry consultation is expected.

In the meantime, we thought it may be helpful to look at a couple of aspects which clients of Dentons might be thinking about in light of the proposed changes to the treatment of death benefits from Registered Pension Schemes.

A re-cap of how things used to be

Firstly, it might be helpful to remind ourselves of how death benefits were treated prior to the introduction of so-called "pension freedoms" in April 2015. Prior to the introduction of these, in many cases lump sums paid to beneficiaries were subject to a standalone tax charge of 55%. The age of the member on death (i.e. pre or post 75th birthday) AND whether or not funds had been crystallised are what determined if this 55% tax on lump sum death benefits applied.

The Scheme Administrator of the pension scheme was responsible for paying the tax charge.

From 6 April 2015, a new set of rules came into effect and we saw the introduction of the considerable flexibility to cascade pension wealth through payments to "nominees" and "successors" - and the 55% tax charge was removed.

Why is this important?

We have outlined the former treatment of lump sum death benefit payments above simply as a reminder that pension scheme death benefits have not always been as tax efficient as they currently are - and also to highlight that finding liquidity to settle a tax charge from pension scheme assets is not a brand-new concept.

What if there is no liquidity within my pension scheme with which to pay an IHT bill at the time it's due?

Given the nature of some types of investment within SIPP and SSAS arrangements (such as commercial

Pension Inheritance Tax proposals – further considerations

properties, loans, unquoted shares and so on), it could be the case that an unexpected death could result in there being no liquid cash (or investments which can easily be sold to create cash) with which to settle any IHT bill immediately.

Importantly, this aspect does not appear to have been considered within the Consultation and it is likely that this has been a key item of feedback from various industry representatives.

There may be various options which could apply, depending on a client's individual circumstances. As an example, it might be possible for the pension scheme to borrow funds in order to settle an IHT bill. Depending on the provider's proposition, schemes could borrow from a connected party (on demonstrably commercial terms) or from commercial lenders. Alternatively, it may be possible to sell some illiquid assets within the timescale by which IHT needs to be physically paid.

In the small self administered schemes (SSAS) world, it may be possible to find liquidity for one member's death benefit payment (and potential IHT liability) across the overall scheme membership, given that the SSAS is a "common trust fund."

Example

Let's assume we have a 5 member SSAS (members A, B, C, D and E) which owns a range of assets such as:

- Commercial property - value £160,000
- Loan to employer - value £100,000
- Platform account - value £450,000
- Cash - value £5,000

Let's also assume that the commercial property has only recently been acquired and is allocated entirely (notionally earmarked) to Member A, as all members have agreed to this unanimously. All of Member A's £160,000 fund value in the SSAS is tied-up in the commercial property. As a result, Member A's investment returns will come in the form of rental income from the property and Member A's fund value will increase or decrease in line with the underlying value of the property.

Unfortunately, Member A dies on or after 6 April 2027.

Firstly, there is very little liquid cash with which to pay death benefits to Member A's beneficiaries and, in the early stages of ownership of the property, all of Member A's fund value is represented entirely by bricks and mortar.

Secondly, there might be an IHT liability attaching to the SSAS because of the overall value of Member A's estate - including his defined contribution pension scheme.

Potential solution

Given the common trust fund nature of the SSAS, and the notional earmarking of assets, it is possible that liquidity could be found within the scheme as follows:

Firstly, the commercial property is valued by a RICS Registered Valuer to confirm that it is worth £160,000.

Next, let's assume that the platform investment is split equally between Members B, C, D and E. If each agrees to swap £40,000 of platform investment in return for £40,000 of bricks and mortar, the SSAS trustees can then encash units to the value of £160,000 and these liquid funds can be used to pay death benefits and the IHT liability attaching to the pension scheme in respect of Member A.

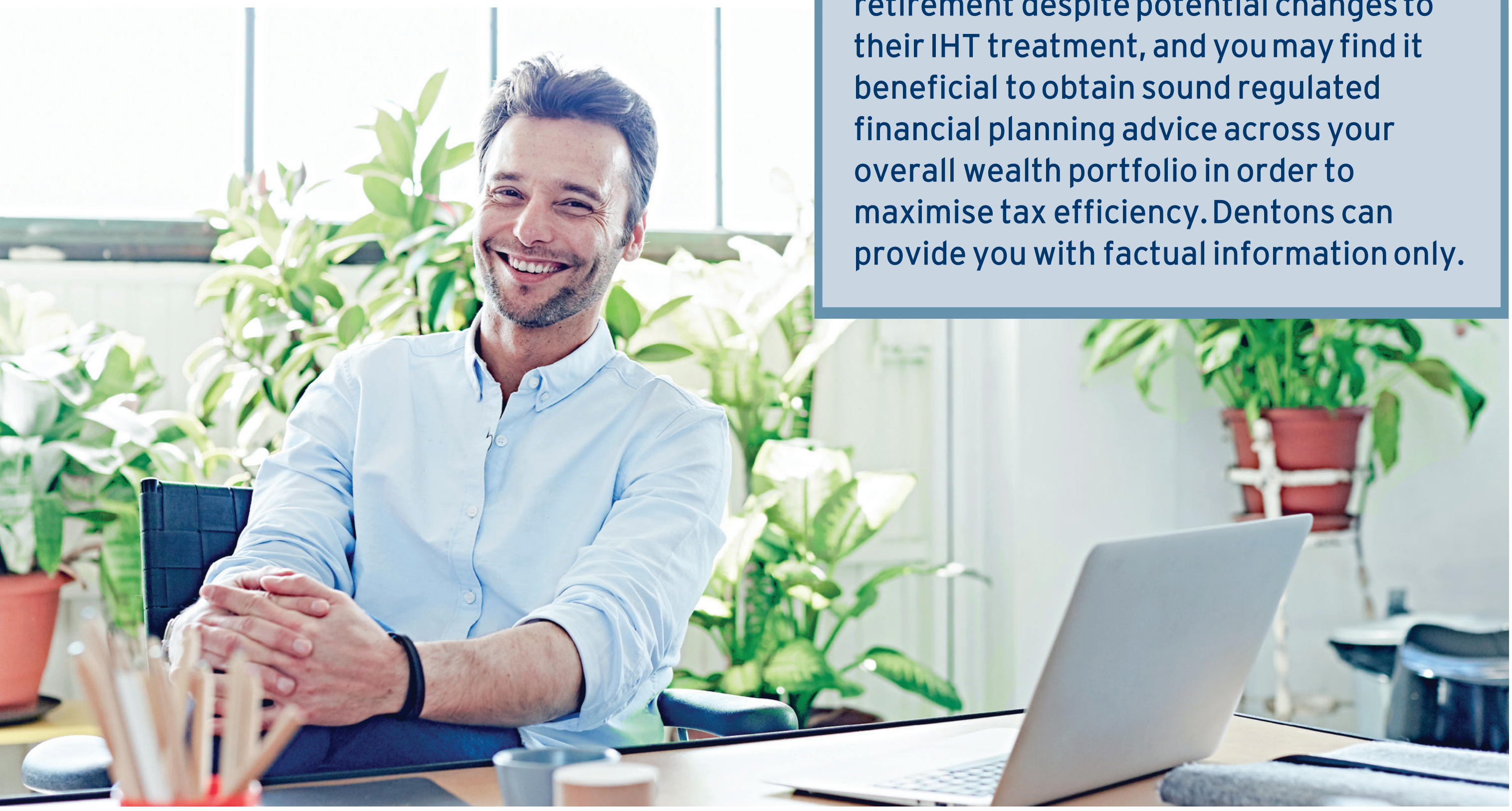
Members B, C, D and E now each have a notional £40,000 share of the commercial property and will receive their respective shares of the rental income going forward. The property has not been sold by the trustees as part of this process, so there are no conveyancing fees, no Stamp Duty Land Tax (SDLT) (Land and Buildings Transaction Tax (LBTT) in Scotland) considerations and so on.

Pension Inheritance Tax proposals – further considerations

It's also worth noting that, had the property been owned across 5 SIPPs for the members, the same result could be achieved by each member's SIPP formally buying out a share of the property from Member A's SIPP, although this would involve conveyancing and potentially SDLT/LBTT and so on.

CONCLUSION

Pension schemes remain a highly attractive method of long-term saving for retirement despite potential changes to their IHT treatment, and you may find it beneficial to obtain sound regulated financial planning advice across your overall wealth portfolio in order to maximise tax efficiency. Dentons can provide you with factual information only.



SIPP Property Transfers Special Offer!

We are often contacted by clients and advisers who are considering switching their SIPP provider - often due to poor service levels and/or slow administration from their current provider. However, the cost of transferring a commercial property to a new SIPP can sometimes be a significant obstacle.

To help make the move easier, Dentons is waiving the following fees on SIPP transfers-in until 31st July 2025:

- **SIPP Establishment Fee - £350 + VAT (for new SIPP clients)**
- **In-specie Transfer Fee - £850 + VAT (for new and existing SIPP clients)**

That's a total saving of £1,200 + VAT for new SIPP clients.

For more information visit - https://www.dentonspensions.co.uk/sipp/sipp-fee-special-offer/

Why regulated financial advice is important

At Dentons Pensions, we strongly advocate that clients obtain sound, regulated financial and/or investment advice.

Both the pensions and financial services worlds continue to evolve and change and, whilst we strive to provide clients with clear and informative factual information, there is no substitute for professional wealth planning advice from suitably qualified firms and individuals. This also extends to conducting regular reviews with your adviser/investment provider(s) in order to help ensure that your portfolio continues to meet your needs, expectations and objectives.

If you do not have a financial adviser, please view one of the below:

- https://societyoflaterlifeadvisers.co.uk/
- www.thepfs.org/yourmoney/find-an-adviser/
- www.unbiased.co.uk
- www.vouchedfor.co.uk

The latest on our SIPP default bank account changeover to Barclays

As we reported previously, we have embarked on a programme to switch from Cater Allen Private Bank to Barclays Bank plc as provider of the default SIPP bank account. This will result in a more streamlined and enhanced service for all SIPP clients.

We are pleased to say that the project is progressing well, and we are already seeing operational efficiencies and quicker processes – for example in the opening of new bank accounts. If you have not already switched to Barclays or have any questions about the process, please speak to your dedicated Pension Administrator or Pension Consultant.

If you are a prospective regulated introducer to Dentons, please contact our dedicated Sales Support team on 01483 521 521 or your regional sales professional from Dentons.

Company news

Exam success

At Dentons, we actively encourage and support our members of staff to engage in educational and continuing professional development to enrich and enhance their careers at Dentons. The following colleagues have recently celebrated exam success:

Holly Andrew (Pension Administrator)

- Achieved her CII Diploma in Regulated Financial Planning

Long service

This year, two members of staff reach their 15-year anniversary with Dentons Pensions and three staff have reached their 10-year anniversaries.

Such longevity of key staff helps us to maintain our high levels of personal service to our clients.

15 years:

- Helen Hunt
- Rachel Fashoni

10 years:

- David Wholey
- Lisa Hawkins
- Rod Priest

Reward & recognition

Dentons Pensions has introduced a recognition award for staff who go above and beyond in their everyday work. This could be taking on extra duties, working extended hours, covering for other staff absences and so on.

The following employees have been recognised for their additional contributions so far this year:

Andy Powell (Marketing Executive)
Angela Divall (Administrative Assistant)
Charlotte Lewis (Pension Administrator)
Charlotte Lee (Administrative Assistant)
Jamie Wallbank (Pension Administrator)
Jen Craig (Administrative Assistant)
Kamila Mata (Administrative Assistant)
Rebecca Wooldridge (Accounts Assistant)
Sarah Weldon (Pension Administrator)

Promotions

Christopher Taylor has been promoted to Pension Consultant from Senior Pension Administrator.

Chris joined Dentons initially in January 2021 and has over 17 years' experience working in the financial services industry, working with SIPPs and SSASs for 10 of those years. He is studying towards the CII Diploma in Regulated Financial Planning.

Disclaimer: The content of this Inform Newsletter should not be taken as being professional advice and reflects Dentons interpretations of the current law and HM Revenue and Customs (HMRC) rules. Whilst all reasonable efforts have been made to ensure this document is accurate and up-to-date, no representations or warranties, either expressed or implied, are given as to the reliability, accuracy or completeness of the information contained in the Newsletter.

Any opinions expressed are judgements at the time of writing and are subject to changes without notice. To the extent permitted by law or regulation, no liability is accepted for any damage or loss, including, without limitation, loss of profit, whether direct, indirect or consequential, in respect of the use of this material.

CONTACT US

For more information about any of the subject matters raised in this Newsletter, please contact us.

Tel 01483 521 521 Fax 01483 521 515
enquiries@dentonspensions.co.uk
www.dentonspensions.co.uk

@DentonsPensions

Dentons Pension Management Limited
Sutton House, Weyside Park
Catteshall Lane, Godalming
Surrey GU7 1XE

UPDATE YOUR DETAILS

If you move home, change your name or other personal details, please contact us as soon as possible by email to your Pension Administrator or enquiries@dentonspensions.co.uk to ensure we keep your records up-to-date.

Dentons Pensions

Dentons Pension Management Limited
Sutton House, Weyside Park
Catteshall Lane, Godalming
Surrey GU7 1XE

T 01483 521 521
F 01483 521 515
E enquiries@dentonspensions.co.uk
W www.dentonspensions.co.uk

DPM.Inform.0625