

## SSAS investments

The member trustees will be responsible for the investment strategy for a SSAS, with the requirement that they should agree all investment decisions unanimously.

As there is no link to a pension provider, the trustees should be able to choose any investments that are permitted by legislation. In practice, this usually means investments that do not carry a penal tax charge, and where a pension firm acts as one of the trustees, it may wish to carry out due diligence to specific investments before allowing them.

### What investments are allowed?

Broadly speaking the following investments are 'permitted' and will not incur a penal tax charge for investing in them.

- Bank and Building Society Deposit Accounts
- National Savings and Investments
- Stocks and shares
- Unit Trusts/OEICs
- Commercial property (including hotels) and land
- Trustee Investment Plans and Bonds
- Executive Pension Plans
- Loans to sponsoring employers (subject to strict criteria)
- Investment grade gold bullion

Trustees can borrow up to 50% of the net asset value of the SSAS to assist with property purchases.

### What shouldn't I invest in?

Investments which will incur a penal tax charge are known as 'Taxable Property'. This covers residential property and 'tangible moveable property'. The latter is a wide ranging definition and includes items such as: yachts, cars, fine wine, antiques, plant and machinery, wind turbines, commodities.

This is not an exhaustive list and if there is a specific investment you wish to make, we would recommend you speak to your consultant.

You also need to be careful if you invest in a private company or small investment fund that holds Taxable Property, as the SSAS may end up indirectly holding Taxable Property.

In addition, investment in Property Investment LLPs do not benefit from the usual tax advantages that apply to pension scheme investments. That is to say, income and capital gains will be taxable.

The trustees cannot lend to scheme members or connected parties such as relations.

### What are the penalties if I go wrong?

The purchase of Taxable Property will be subject to the Unauthorised Payment Charge by HM Revenue & Customs.

The Unauthorised Payments Charge is a minimum of 55% of the value of the investment but the tax charge can exceed 70% and even cause the scheme to be deregistered which will have tax consequences on the whole SSAS.

The investment does not benefit from the usual tax advantages that apply to pension scheme investments - the income (or a deemed income if there is no actual income produced) is taxable and any capital gains on disposal is also taxable. For these reasons it is very tax inefficient to hold Taxable Property in a SSAS.

## What investment limits are there?

Trustees may wish to set their own limits but legislation only restricts self-investment such as loans to and shares in connected companies.

The trustees can lend up to 50% of the net asset value of the SSAS to companies that are formally sponsoring companies of the SSAS. Connected companies should be accepted as sponsoring companies before loans are made to them. A separate information sheet provides further information on loanbacks.

The trustees can invest up to 5% of the net asset value of the SSAS in shares of a sponsoring company, and are further subject to an overall limit of 20% of the net asset value in any such transactions. For example, they could invest in five sponsoring companies provided they invest no more than 5% in any one company and no more than 20% in total. Care has to be taken to avoid indirect holdings of Taxable Property. Strangely, there appears to be no limit for investing in companies that are not sponsoring companies even if they are connected.

Finally, trustees can borrow, for example, to assist with a commercial property purchase, but they cannot borrow more than 50% of the net asset value of the SSAS.

## Who decides my SSAS's investment strategy?

The investment policy with your SSAS is purely a matter for the trustees to agree, taking professional advice where needed. There is no prescribed apportionment between asset classes.

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Please contact your usual Barnett Waddingham client manager if you would like to discuss any of the above in more detail.

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