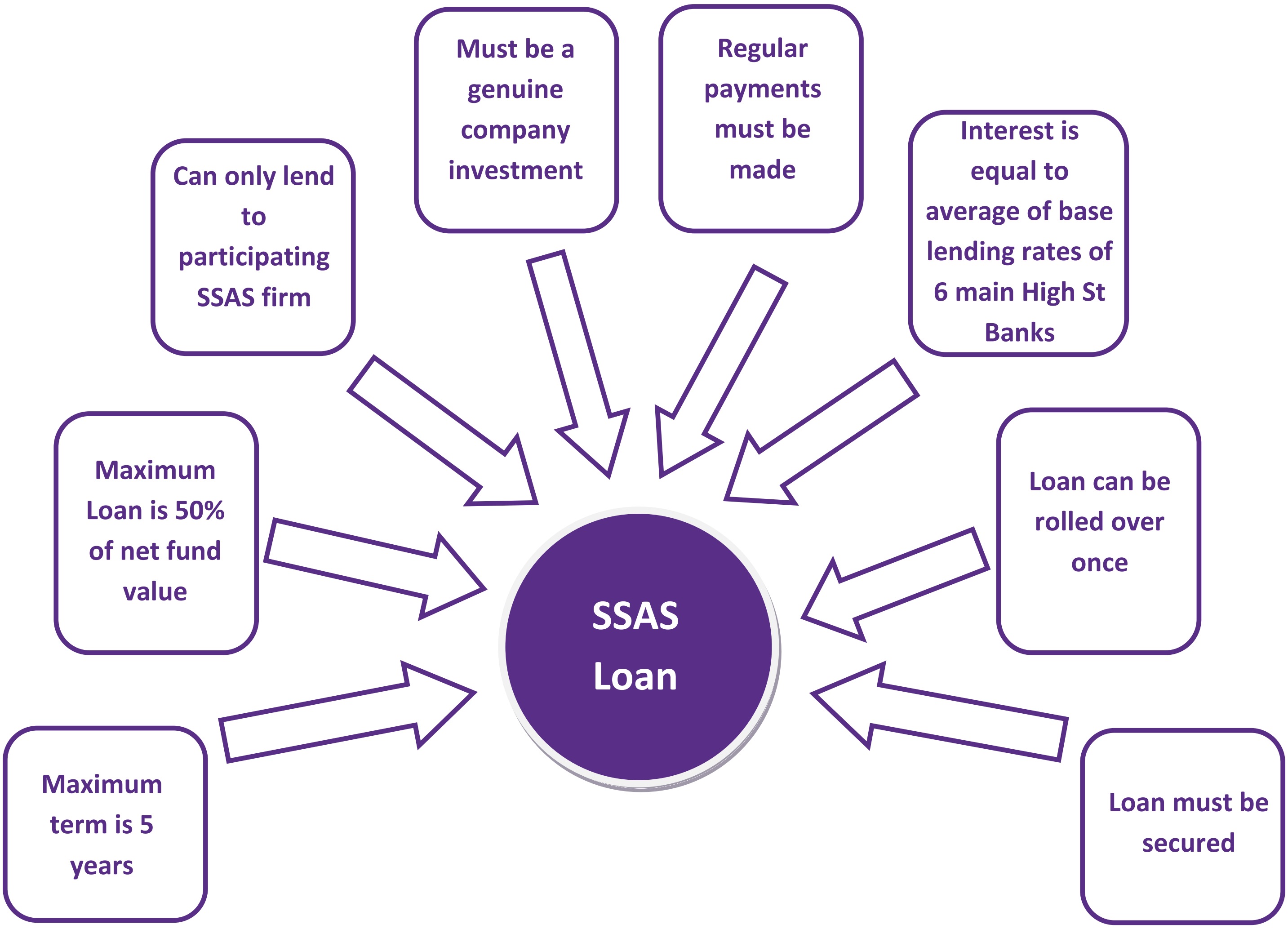
GATEWAY TRUSTEES

SSAS - Loan Back

A SSAS is permitted to lend money to its establishing and contributing employers as well as to unconnected third parties if they are genuine investments of the Pension Scheme.

A loan can be made to principal or participating employers of a SSAS or to genuine unconnected third parties but not to connected parties, as long as they are on an arm's length basis and on commercial terms. **The basis of SSAS loans is as below:**



A SSAS can loan money to employers. The loan must be secured as a first charge on assets that are at least equal to the loan. Subsequent falls in the value of the security are permitted, provided these are not the result of actions taken by the employer or connected persons. The charge must take priority over any other charge on the assets. The interest rate must be equal to the average of a basket of lending rates of the six main High Street banks. The loan should be for a term of less than 5 years and be no more than 50% of the market value of scheme assets. It must be repaid either by equal annual instalments of capital or by equal annual instalments.

Only one opportunity can be given for schemes to roll over a loan where there are amounts owing on the 5th anniversary and only then for a maximum extension period of 5 years. A loan to a member, although possible, will always be treated as an unauthorised payment and attach the normal tax penalties.

Ultimately a Loan is a key advantage of a SSAS and is useful tool in freeing capital within the business in a tax efficient manner.

Here at Gateway Trustees we are well versed in the HMRC technicalities that coincide with SSAS loans and so always ensure we structure the loan suit company needs and objectives.