

Press Release

'HMRC Changes Will Make Life Easier for SIPP Members Owning Property' says Premier Pension Services

29th April 2009, London: Premier Pension Services welcomes the recent announcement of the easements agreed between the Association of Member Directed Pension Schemes (AMPS) and HM Revenue & Customs (HMRC) which benefit all those operating in the self-invested pension scheme market. Premier Pension Services believes the borrowing and property lease easements will be very useful for clients and providers alike during the current difficult economic times.

Nigel Manley, Head of Self Invested Pensions, Premier Pension Services, says, "Where the pension scheme is struggling to maintain its mortgage repayments, e.g. because rental income has stopped, it will now be possible to re-mortgage provided that no new borrowing is taken out. Essentially the test as to whether or not the borrowing is regarded as 'new' will be an arithmetical one only. The important point for the client and their advisers to be aware of is that the re-mortgage cannot be any greater than the outstanding capital sum - it is not possible to increase the amount up to say the original borrowing level or to include any outstanding interest. If the interest is rolled into the new loan a tax charge will arise".

Premier Pension Services is aware that the position where a mortgage is re-negotiated because of an in-specie transfer between Self Invested Personal Pensions (SIPPs) is unclear, but it is hoped that HMRC will conclude that the same arithmetical test principle should equally apply.

Manley adds, "Prior to the AMPS announcement Premier Pension Services had sought its own guidance from HMRC about leases and its not surprising that our answer was verbatim that given to AMPS so, clients who occupy premises owned by their pension scheme can now be treated in the same way as a third party tenant.

"HMRC are in principle happy for a lease with a connected party to be re-negotiated provided it is done on the same terms that an unconnected tenant would receive and of course subject to the terms and conditions of the existing lease. It is the responsibility of the administrator to be comfortable that it can demonstrate this fact to HMRC. This will in

reality mean the SIPP or Small Self Administered Scheme (SSAS) trustees taking suitable independent advice must document their decision and ensuring this is in the best interest of the members."

Premier Pension Services were sorry to note that little or no clarification had been given in respect of SSAS loans and the problems servicing these in the current economic downturn.

Manley concludes, "This position is inequitable and must be addressed before more and more schemes find themselves in managing increasingly difficult situations".

Notes to Editors

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About Premier Pension Services

<http://www.premierpensionservices.co.uk/>

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