

# GUIDANCE NOTE

## IN SPECIE PAYMENTS

APPROVED FOR INVESTOR USE | 2018



### Summary

In specie payments are where an asset is transferred rather than a cash payment. They can occur in SIPPs and SSASs in a number of situations:

- as payment of a contribution to the scheme
- as a transfer between 2 pension schemes
- as part of the payment of benefits from the scheme, either to you or your beneficiaries on your death.

The rules for each of the above type of payment are slightly different and are set out in more detail below.

The asset being transferred will be any type of asset which a SIPP or SSAS is allowed to hold (see our Investments notes).

### Contributions

These will be paid gross or net of basic rate tax, depending on the type of contribution (see our Contributions notes). If the payment is net, assets are transferred for the net amount and the scheme then reclaims the tax from HMRC.

HMRC have set out detailed rules for the payment of in specie contributions:

- at the outset you are committing to pay a specific amount of contribution to the scheme and, although you may have an asset in mind to be transferred, the scheme is accepting your commitment to pay the contribution rather than accepting a specific asset. We can agree the type of asset, but not the asset itself, e.g. we can say that commercial property would be acceptable but not agree to a particular property. It is important to note that, if the asset turns out to be unacceptable,

you are still committed to paying the contribution by other means.

- The specific monetary amount of the contribution must be decided at the outset. It is not possible to simply say “10000 XYZ Ltd shares will be transferred”.
- You will need to complete our In Specie Contribution Declaration, to confirm your commitment to pay the contribution, and this creates a legally binding debt between you and the scheme.
- We can then accept the asset to be transferred and it needs to be valued. For property or unquoted equities, a written independent valuation is needed and our Property Questionnaire or Unquoted Equity Questionnaire completed as appropriate. For quoted assets the value is the quoted value on the date of transfer.
- The asset is then transferred and stamp duty or equivalent tax is payable, and you may be liable for capital gains tax on the disposal of the asset.
- Any tax relief will be claimed when the transfer is complete.
- The actual value of the assets transferred may differ from the amount of contribution you specified at the outset, creating an under or overpayment. A cash contribution must be paid for an underpayment. If this is paid after a tax year end, it counts as a contribution in the next tax year.

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Overpayments can be dealt with in a number of ways:

- the excess assets could be transferred back (e.g. if they are quoted shares some could be transferred back)
- the scheme could purchase the extra assets from you by making a cash payment
- the excess could be treated as a further contribution

Because of the complexities of in specie contributions, it may be easier for you to borrow funds short term to make a cash contribution to the scheme, and the scheme then uses the cash to buy the asset from you and you then use the cash to repay the borrowing.

## Transfers

If an in specie transfer of assets is made between 2 pension schemes, the procedure is more straightforward. The assets are transferred and the amount of the transfer is the value at the date of transfer. No stamp duty is payable but there may be other costs, e.g. legal fees relating to a property transfer. It is not necessary to obtain a formal written valuation of the assets.

## Fees

Please refer to our Schedule of Fees for your SIPP or SSAS.

In addition, there may be fees for transferring the asset itself, e.g. the fees for a property acquisition.

## Important points to consider

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55.

## Contact Details

If you'd like to speak to us about anything on this fact sheet, please contact us on:

**T 0117 910 7910**

We may record and monitor calls. Call charges will vary.

**E [enqs@curtisbanks.co.uk](mailto:enqs@curtisbanks.co.uk)**

Please remember not to send any personal, financial or banking information via email as it is not a secure method of communication.