



Professional Adviser Use Only

This document is for guidance and information purposes only and reflects Yorsipp Limited and associated companies' understanding of the legislation, regulations, rules and practice at the time of writing. It is provided as a summary only and readers should refer to HMRC's Registered Pension Schemes Manual, the draft Pensions Taxation Manual and other suitable sources for full details. Whilst every effort has been made to ensure accuracy, no responsibility can be taken for actions taken, or refrained from being taken, as a result of this information. You should not rely solely on this document when making any decisions.

SSAS v SIPP Comparison

At Yorsipp Ltd we offer both SIPP and SSAS solutions to our customer base.

Whilst we are not authorised to give financial advice, we are often asked by Advisers to pass opinion on how the different structures impact on a particular scenario. There may be multiple aspects to consider, sometimes with an element of contradiction for a particular route in terms of advantages & disadvantages. As well as the technical differences afforded by the two routes, costs can often prove the determining factor. We have outlined some of the key differences in the grid below. Where applicable, this incorporates Yorsipp's approach to the administration process.

Should you wish to discuss a particular situation, our team of experts are, as always, on hand to assist.

Feature	SSAS	SIPP
Trust structure	<p>Individual Trust.</p> <p>Must have less than 12 members, all of whom need to be member trustees with all decisions requiring unanimous agreement, in order to be exempt from certain Occupational Pension Scheme requirements.</p> <p>Scheme Rules can, in theory, be tailored to the needs of the members (within HMRC rules). In practice these will be standard rules set by the Professional (independent) SSAS Trustee and Scheme Administrator.</p> <p>Under HMRC rules, scheme documentation cannot entitle any person to unauthorised payments.</p>	<p>Master Trust with separate arrangement(s) for each individual member.</p> <p>Scheme rules set by provider of scheme.</p> <p>Under HMRC rules, scheme documentation cannot entitle any person to unauthorised payments.</p> <p>May be on a Sole Trustee basis or with member appointed as a co-trustee.</p> <p>The Yorsipp SIPP is established on a Sole Trustee basis.</p>

Feature	SSAS	SIPP
Establishment & Operation	<p>Must be registered with HMRC. A Scheme Administrator must be appointed.</p> <p>Each scheme is established under an individual trust by a sponsoring employer for at least one employee. There may be more than one sponsoring employer (typically Associated Companies).</p> <p>The Scheme Administrator is subject to a fit & proper person test. Prior approval is not available.</p> <p>Yorssas (Trustees) Ltd will be appointed as a Professional Trustee and Yorssas Ltd will act as Scheme Administrator for HMRC purposes.</p> <p>Scheme documentation cannot entitle any person to unauthorised payments.</p> <p>A SSAS is not regulated by the FCA, but underlying investments (and overlying advice) may be.</p>	<p>Can only be set up by a “person” with permission from the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000, to establish in the UK a personal pension scheme or a stakeholder pension scheme.</p> <p>A Scheme Administrator must be appointed.</p> <p>The Scheme Administrator is subject to a fit & Proper person test. Prior approval is not available.</p> <p>Yorsipp (Trustees) Ltd will be appointed as a Professional Trustee and Yorsipp Ltd will act as Scheme Administrator for HMRC purposes.</p> <p>Scheme documentation cannot entitle any person to unauthorised payments.</p>
Member protection	<p>A SSAS is not a regulated product under the FCA. As such, aside from any regulated investments within the fund, there is no recourse to the Financial Services Compensation Scheme or, usually, the Financial Ombudsman Service.</p> <p>The scheme will however be regulated by The Pensions Regulator with the Pensions Ombudsman Service available.</p> <p>If the Principal Employer(s) cease to trade, member benefits will need to be suitably secured.</p>	<p>SIPPs are regulated by the FCA. Members will have recourse to the Financial Services Compensation Scheme and the Financial Ombudsman service. They will also have recourse to the Pensions Ombudsman over certain aspects (normally administration matters).</p>

Feature	SSAS	SIPP
Data Protection	Trustees are classed as “Data Controllers” and must register with the Information Commissioner’s Office (ICO).	The responsibilities opposite apply to the provider of the scheme as a whole.
Membership, benefits & contributions	<p>HMRC rules set no restriction on who can be a member of a registered pension scheme. However, to obtain tax relief on contributions, the contribution must be a “relievable contribution”, paid by or on behalf of that member; being a relevant UK individual.</p> <p>In practice, Scheme Rules will often restrict membership to employees and former employees of the sponsoring employer(s) and membership will be by invitation of the trustees.</p> <p>Scheme Rules will outline what benefits may be afforded under the scheme, subject to HMRC rules & requirements.</p> <p>Contributions, subject to Scheme & HMRC rules, may be paid by members, employers & third parties.</p> <p>Member contributions normally deducted under “net pay” arrangements by the employer.</p> <p>Third party contributions likely to be paid gross with relief obtained by the member making a claim to HMRC.</p> <p>Employer contributions subject to normal deductibility considerations as a business expense. Spreading of tax relief may apply.</p> <p>Transfers from other Registered Pension Schemes may be received subject to prevailing HMRC & FCA rules and restrictions. This is a complex area and may cover, for example, considerations for members with certain “protections” and new FCA requirements for regulated advice for members transferring from DB schemes / foregoing safeguarded rights. Suitable advice should be sought.</p>	<p>HMRC rules set no restriction on who can be a member of a registered pension scheme. However, to obtain tax relief on contributions, the contribution must be a “relievable contribution”, paid by or on behalf of that member; being a relevant UK individual.</p> <p>Scheme Rules will outline who may be a member of the scheme.</p> <p>Scheme Rules will outline what benefits may be afforded under the scheme, subject to HMRC rules & requirements.</p> <p>Contributions, subject to Scheme & HMRC rules, may be paid by members, employers & third parties.</p> <p>Member contributions normally paid under “Relief at Source” procedure with basic tax relief recovered from HMRC by Scheme Administrator. Also applies to Third party contributions. Higher rate / additional rate relief recovered by member via self-assessment.</p> <p>Employer contributions subject to normal deductibility considerations as a business expense. Spreading of tax relief may apply.</p> <p>Transfers from other Registered Pension Schemes may be received subject to prevailing HMRC & FCA rules and restrictions. This is a complex area and may cover, for example, considerations for members with certain “protections” and new FCA requirements for regulated advice for members transferring from DB schemes / foregoing safeguarded rights. Suitable advice should be sought.</p>

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Control	<p>The Principal Employer controls the scheme.</p> <p>The Professional (independent) Trustee will, in conjunction with the member trustees, oversee the running of the scheme giving due regard to HMRC rules; and often be co-signatory to the trustee bank account.</p> <p>The Scheme Administrator is responsible for the day-to-day running of the scheme and satisfying any HMRC reporting requirements.</p> <p>Investment decisions are made by the member trustees, unanimously, in conjunction with their suitably authorised / regulated professional advisers.</p>	<p>The provider of the scheme controls the scheme.</p> <p>The Scheme Administrator is responsible for the day-to-day running of the scheme and satisfying any HMRC reporting requirements.</p> <p>Investment decisions are made by the member in conjunction with their suitably authorised / regulated professional advisers.</p>
Investments	<p>As permitted by the Scheme Administrator / Trustees taking account of HMRC rules.</p> <p>Care should be taken not to trigger HMRCs “taxable property rules”. These can trigger tax charges on the scheme, employer and members personally.</p> <p>See “investment guide” on Yorsipp web-site: http://www.yorsipp.com/media/1055/sipp-investments-list-2.pdf</p> <p>Investments held in the name of the Trustees of the SSAS. Member Trustees and Yorssas (Trustees) Limited (Bare Trustee) which acts as Professional (independent) Trustee will be named on title documentation.</p> <p>Under The Pensions Act 1995, before making an investment, the Member Trustees must obtain and consider proper advice.</p>	<p>As permitted by the Scheme Administrator / Trustees taking account of HMRC rules.</p> <p>Care should be taken not to trigger HMRCs “taxable property rules”. These can trigger tax charges on the scheme (arrangement) and member personally.</p> <p>See “investment guide” on Yorsipp web-site: http://www.yorsipp.com/media/1055/sipp-investments-list-2.pdf</p> <p>Investments will be held in the name of Yorsipp (Trustees) Limited (Bare trustee). This keeps assets legally separate from Yorsipp Ltd, a trading company, which acts as Scheme Administrator.</p>

Feature	SSAS	SIPP
<p>Pooled investment & Group property purchase</p>	<p>As a SSAS is a single common trust, all investments are jointly owned. All members must agree on all investments in writing. Actual, as opposed to notional, earmarking of assets is not permitted.</p> <p>This may aid succession planning as transfers out or benefit payments of a member's entitlement at retirement, may be taken from any asset without requiring an encashment / re-conveyance of a property.</p>	<p>Each member's contributions & investments are earmarked to their specific arrangement(s).</p> <p>Members may group together for a particular investment; e.g. commercial property. The property will be held on a "tenancy in common basis" between the SIPPs and any third party (if applicable). Their share will be determined by their respective consideration to the purchase.</p> <p>Depending upon how the SIPP scheme is structured, any alteration in beneficial ownership rights between the SIPPs (an increase, reduction or termination), may require a re-conveyance of the property.</p> <p>The latter point will often be determined by whether the SIPP is established on a sole trustee basis or a co-trustee basis.</p>

Feature	SSAS	SIPP
Loans	<p>HMRC rules permit a SSAS to make a loan to an unconnected party (persons not connected to the member(s) or sponsoring employer(s) as defined by section 993 of the Income Tax Act 2007) on fully arms-length commercial terms.</p> <p>Yorssas do not permit such loans due to the risks involved.</p> <p>A SSAS, as an occupational pension scheme, can also make a loan to the sponsoring employer(s) provided:</p> <ul style="list-style-type: none"> • It is secured with a first charge on an asset of suitable value and type. (If an asset used as security is classed as “taxable property” tax charges can arise, even though the pension scheme does not hold the asset). • Maximum term is 5 years (although there is allowance for a loan to be rolled over once). • Maximum loan is 50% of net scheme assets. • Repayments are on a capital and interest basis with equal instalments paid at least annually. • Minimum interest rate set by reference to 1% above the base rate of 6 leading high street banks. <p>This is a key attraction of a SSAS as the member trustees can use the proceeds to invest in their business. With suitable business planning advice, this can prove highly beneficial to business owners.</p> <p>Under HMRC rules, all loans are only acceptable if they are genuine investments of pension schemes. They should be prudent, secure and on a commercial basis.</p>	<p>HMRC rules permit a SIPP to make a loan to an unconnected party (persons not connected to the member as defined by 993 of the Income Tax Act 2007) on fully arms-length commercial terms.</p> <p>Yorsipp do not permit such loans due to the risks involved.</p> <p>No other types of loan are permitted. Certain investments listed or dealt in on a recognised stock exchange (within section 841 ICTA 1988) or offered to the public, are not classed as loans for the purposes of this restriction.</p>

Feature	SSAS	SIPP
Unlisted share purchase	<p>Classed as “Non-standard” investments by the FCA, whether UK or overseas shares. Although FCA & HMRC permit either, Yorssas only allow the purchase of unlisted shares in UK companies, and only where certain criteria are met. This is to avoid breaching HMRCs “taxable property rules”, among other risks.</p> <p>All members must meet the “High Net Worth” or “Sophisticated Investor” definition.</p> <p>This is a complex area where specialist legal, accountancy and financial advice should be sought. It must represent a bona fide commercial transaction. It is critical that issues such as valuation (both initial and ongoing), liquidity and legalities in general are considered before any investment is made.</p> <p>To avoid the danger of triggering HMRCs “taxable property rules” four key conditions need to be satisfied. In broad terms:</p> <ul style="list-style-type: none"> • The limited company must be a trading concern. • The pension scheme either alone or with associated persons does not have control of the company. • Neither the pension scheme member nor a connected person is a controlling director of the company. • The pension scheme does not hold the shares for the purposes of enabling the member or any connected person to occupy or use the taxable property. <p>If the SSAS is purchasing unlisted shares in a Sponsoring Employer, the investment must be less than 5% of the net scheme assets. If more than one Employer participates, the investment must be less than 20% of net scheme assets in total; subject to the 5% limit in each. Exceeding any of the above limits, will result in HMRC applying an Unauthorised Payment charge and possibly other penalties.</p>	<p>Classed as “Non-standard” investments by the FCA, whether UK or overseas shares. Although FCA & HMRC permit either, Yorsipp only allow the purchase of unlisted shares in UK companies, and only where certain criteria are met. This is to avoid breaching HMRCs “taxable property rules”, among other risks.</p> <p>The member must meet the “High Net Worth” or “Sophisticated Investor” definition.</p> <p>This is a complex area where specialist legal, accountancy and financial advice should be sought. It must represent a bona fide commercial transaction. It is critical that issues such as valuation (both initial and ongoing), liquidity and legalities in general are considered before any investment is made.</p> <p>To avoid the danger of triggering HMRCs “taxable property rules” four key conditions need to be satisfied. In broad terms:</p> <ul style="list-style-type: none"> • The limited company must be a trading concern. • The pension scheme either alone or with associated persons does not have control of the company. • Neither the pension scheme member nor a connected person is a controlling director of the company. • The pension scheme does not hold the shares for the purposes of enabling the member or any connected person to occupy or use / gain enjoyment from the taxable property.

Feature	SSAS	SIPP
Establishment & running costs	Generally more cost effective where there are more than 2 members.	Generally more cost effective where there are 1 or 2 members.
Transfers / Takeovers	<p>Under the terms of the Trust, the Scheme Administrator and Independent Trustee may be replaced for the scheme (a takeover).</p> <p>See “Membership, benefits & contributions” section above for transfers in.</p> <p>Transfers out may be made to another UK Registered Pension Scheme, or a Qualifying Recognised Overseas Pension Scheme (QROPS).</p> <p>See the following links for details and to use the Yorssas takeover service:</p> <p>http://www.yorsipp.com/media/1054/ssas-review-service.pdf http://www.yorsipp.com/media/1082/yorssas-takeover-2014.pdf</p>	<p>Takeovers not applicable.</p> <p>See “Membership, benefits & contributions” section above for transfers in.</p> <p>Transfers out may be made to another UK Registered Pension Scheme, or a Qualifying Recognised Overseas Pension Scheme (QROPS).</p>

The information within this document is for professional adviser use only. Yorsipp Limited does not, and is not authorised to, give financial or investment advice. If you are a retail client seeking advice, Yorsipp Limited strongly recommends that you consult a suitably qualified Financial Adviser.