

Fact Sheet – Connected party transactions

Fact Sheet | March 2009

This factsheet is intended for information purposes only. Its contents are not to be used as legal, financial or tax advice. The tax treatment and tax benefits are based on our understanding of current tax legislation.

Background – Selling Shares from a Plan holder to their SIPP

A plan holder selling shares they hold in their personal name to their SIPP is an example of a connected party transaction. Following the transaction the plan holder will receive cash consideration of the market value of the investment from their SIPP.

It should be noted that the transaction will be regarded as a disposal by the plan holder for Capital Gains Tax purposes.

Cleared funds

As a sale to the SIPP, the SIPP must hold sufficient cleared funds to cover the market value of the shares, stamp duty where applicable and any Suffolk Life fees.

The transaction cannot proceed until sufficient cleared funds are held within the SIPP.

Taxable property

In order to ensure an investment in shares is not to be deemed as taxable property we require confirmation from the plan holder regarding their total shareholding.

We would require the following confirmation from the plan holder, before allowing any connected party transaction:

'I confirm that I, together with my connected parties (as defined in S.993 Income Tax Act 2007), including any self invested pensions do not own a total of 20% or more of the shares in <Name of Stock>.'

Defining a connected party

A connected party is defined in [section 993](#) of the Income Tax Act 2007.

A person is connected with another person if that person is the individual's spouse, registered civil partner, relative or relative of the spouse or registered civil partner. Trustees are also deemed to be connected to settlors, and people in business partnerships are similarly connected, as are their spouses, registered civil partners and relatives.

For full details please refer to [section 993](#) of the Income Tax Act 2007 available at www.opsi.gov.uk.

Pricing

Retrospective pricing is not permitted by HMRC.

In relation to certificated holdings and collectives, we will use the market value of the stock on the day we receive the signed stock transfer form.

The plan holder will not be able to fix or agree the price that the deal will be made at prior to agreeing that the transaction is to proceed.

Market value

The value used for the transaction must be the market value of the shares.

Market value is defined in Section 272(3) of the Taxation & Chargeable Gains Act 1992.

In relation to UK listed shares where an investment manager or broker is used to carry out such transactions, our interpretation of these rules is to use the bid plus a quarter of the difference between the bid and offer price (quarter up pricing) at the time of placing the transaction.

In the case of currency exchange, the prevailing spot rate is used.

Stamp duty

A connected party transaction is a chargeable transfer for UK stamp duty.

If we process the transaction (see non-streamlined process below) we will forward the form to be stamped for stamp duty (if applicable) of 0.5% - rounded up to the nearest £5.

Where the transaction is placed through an Investment Manager or Stockbroker (see streamlined process and broker transactions below), the purchasing broker is responsible for ensuring stamp duty is paid.

What is required?

The process for a connected party transaction will be dependent on how the investment is currently held by the plan holder.

Certificated holdings:

If the individual holds a certificate for their shares, they have the options:

- » [Streamlined process](#) utilising the stockbroker Stocktrade
- » [Non-streamlined process](#) where we process the transaction
- » [Broker Transaction](#) utilising a broker of their choice

Non-Certificated Transactions:

Where the individual holds the shares in a personal account with an Investment Manager or Stockbroker please see the step by step guide for [Broker transactions](#).

Collectives:

If the individual holds a collective investment directly with the fund provider, for example an OEIC or Unit Trust, please contact us to discuss this further.

Certificated transactions: guide to the streamlined process utilising Stocktrade.

To proceed with a transaction we will initially require the following from the plan holder:

- » Name and SEDOL number of the stock
- » Number of shares to be sold
- » Confirmation the shares are currently held in certificated format and that the plan holder wishes to complete the transaction via the 'streamlined process'. Please include the full name of the registered holder, as recorded on the certificate, or a photocopied/scanned image of the certificate

This information should be sent by email to cpt@suffolklife.co.uk or by post to Technical Team, Investment Services, Suffolk Life, 153 Princes Street, Ipswich, IP1 1QJ.

If using email your data is transmitted via a publicly accessible network. Data can be lost or amended during transmission or be accessed by unauthorised parties. We cannot accept any responsibility for data security in these circumstances. Personal information sent by the plan holder to us by email is therefore sent at the plan holder's own risk.

Dealing form

Once we have received the above information and assessed the stock is allowable for the SIPP, we will forward a dealing instruction form to the plan holder. This will take between 3 and 5 working days. This document needs to be completed and returned to us with the original share certificate(s).

We strongly recommend sending any share certificates by recorded or special delivery. Please also keep a photocopy for your own records.

The dealing instruction form will include the plan holder's declaration regarding their total shareholding to confirm that there will be no [taxable property](#) issues in transferring the stock to the SIPP.

Forwarding to Stocktrade

On receipt of these documents, we will check the form and check that sufficient funds are held in the SIPP's Stocktrade account before forwarding it to Stocktrade to action. The form will be forwarded to Stocktrade by post within 1 working day.

Please note we will not accept any responsibilities for errors in the form.

Pricing and stamp duty

Stocktrade will endeavour to deal on the day of receipt of the required forms.

Stocktrade will calculate the [market value](#) of the transaction and arrange for stamp duty to be paid on the transaction from the cleared funds available within the SIPP's Stocktrade account.

Settlement

Stocktrade will arrange for the value of the transaction to be paid from the SIPP's Stocktrade account to the plan holder's personal bank account detailed in the dealing form.

Please note, cleared funds must be held within the SIPP's Stocktrade account to cover the value of the transaction, Stocktrade's fees and stamp duty payable. Insufficient cleared funds in the SIPP's Stocktrade account will lead to the transaction being delayed or rejected.

If funds are required to be transferred to the SIPP's Stocktrade account from the main SIPP deposit account with the Bank of Scotland, please let us know prior to forwarding the completed dealing instruction form to us.

Charges

To process a streamlined certificated connected party transaction we charge a fee of £75 per line of stock.

Stocktrade will deal with this type of transaction as a sale and repurchase and therefore commission is charged on both deals per line of stock. Stocktrade's commission is currently set at 0.3% of the transaction value subject to a minimum charge of £15 and maximum of £50.

Therefore, the maximum total charge to your SIPP for a streamlined connected party transaction would be £175 (comprising of our fee of £75 and two maximum Stocktrade commission charges of £50).

Certificated Transactions: guide to the non-streamlined process.

To proceed with a transaction we will initially require the following from the plan holder:

- » Name and SEDOL number of the stock
- » Number of shares to be sold
- » Confirmation the shares are currently held in certificated format and that the plan holder wishes to complete the transaction via the 'non-streamlined process'. Please include the full name of the registered holder, as recorded on the certificate, or a photocopied/scanned image of the certificate
- » Confirmation of the name of the investment manager or stockbroker with whom an account should be established for the SIPP in order to hold the shares following completion of the transaction, or confirmation to utilise the existing account, if one is already established

This information should be sent by email to cpt@suffolklife.co.uk or by post to Technical Team, Investment Services, Suffolk Life, 153 Princes Street, Ipswich, IP1 1QJ.

Please note, if using email your data is transmitted via a publicly accessible network. Data can be lost or amended during transmission or be accessed by unauthorised parties. We cannot accept any responsibility for data security in these circumstances. Personal information sent by the plan holder to us by email is therefore sent at the plan holder's own risk.

Letter of intent and stock transfer form

Once we have received the above information and assessed the stock is allowable for the SIPP, we will forward a draft letter of intent and stock transfer form (STF) to the plan holder. This will take between 3 and 5 working days. These documents need to be completed and returned to us with the original share certificate.

We strongly recommend sending any share certificates by recorded or special delivery. Please also keep a photocopy for your own records.

The letter of intent will cover the plan holder's declaration regarding their total shareholding to confirm that there will be no [taxable property](#) issues in transferring the stock to the SIPP.

Pricing and stamp duty

On receipt of the above documents, completed to our satisfaction, we will date the STF. The price used for the transaction (and as such the amount the plan holder will receive from their SIPP on completion of the transaction) will be the [market value](#) as at this date.

We will forward the STF to HMRC with a cheque from the SIPP for stamp duty, if applicable. If payable the rate will be 0.5% rounded up to the nearest £5.

Submission with the Registrars

On receipt of the STF stamped for stamp duty paid, we will forward the STF and original share certificate to the registrars for them to process the transfer of ownership to the SIPP.

The registrars will return the new share certificate to us in our name re: plan number. Any balance share certificate will be forwarded directly to the plan holder.

Settlement

On receipt of the new share certificate in our name re the plan number we will be in a position to forward settlement for the transaction to the plan holder from their SIPP. This will either be made by electronic funds transfer to the account detailed in the plan holder's letter of intent or by cheque.

Transfer to stockbroker or investment manager

We are unable to hold shares in a certificated format. We require them to be held within a stockbroker or investment manager account established within the SIPP.

On completion of the transaction we will forward the shares to the account detailed in the plan holder's original enquiry to us; please see above. All future deals on the shares should then be placed directly with the relevant stockbroker or investment manager.

For further information on the Stockbrokers and Investment Managers we can utilise within our SIPPs, please refer to the following pages of our website:

[Investment Managers](#)

[Stockbrokers](#)

Charges

To process a non-streamlined certificated connected party transaction we would charge a fee on a time-cost basis relevant to the expertise and seniority of our staff involved. This fee would typically be £300 per stock transfer and reflects the very manual process involved with this non-streamlined method.

Guide to Broker transactions.

To proceed with a transaction we will initially require the following from the plan holder:

- » Name and SEDOL number of the stock
- » Number of shares to be sold
- » Name of the investment manager or stockbroker with whom the shares are currently held (non certificated shares) or confirmation that the shares are held in certificated format and that the plan holder wishes to complete the transaction via the 'broker transactions process'
- » Name of the investment manager or stockbroker to whom the shares will be sold. NB. An account must be established for the SIPP with this investment manager or stockbroker prior to the transaction taking place. If a new account is required to be established please contact the Account Opening Team on 01473 296905.

This information should be sent by email to cpt@suffolklife.co.uk or by post to Technical Team, Investment Services, Suffolk Life, 153 Princes Street, Ipswich, IP1 1QJ.

Please note, if using email your data is transmitted via a publicly accessible network. Data can be lost or amended during transmission or be accessed by unauthorised parties. We cannot accept any responsibility for data security in these circumstances. Personal information sent by the plan holder to us by email is therefore sent at the plan holder's own risk.

Letter of intent

Once we have received the above information and assessed the stock is allowable for the SIPP, we will forward a draft letter of intent to the plan holder.

The letter of intent will cover the plan holder's declaration regarding their total shareholding to confirm that there will be no [taxable property](#) issues in transferring the stock to the SIPP.

Confirmation to proceed

On receipt of the signed letter from the plan holder we will issue confirmation that they can proceed with the transaction. It is important that the transaction is not effected until they receive this confirmation. This will take between 2 and 3 working days.

Instructing the brokers

Once the plan holder has received the confirmation from us, they will need to contact the brokers to instruct them to place the deal.

The plan holder will need to liaise with the brokers to arrange the completion of any forms that may be required, for example stock or CREST transfer forms.

The brokers must be instructed to place the deal at [market value](#) and once completed they must forward a contract note to us stating the following:

- » The deal is a connected party transaction
- » The deal was placed at market value
- » Stamp duty has been paid

Please note we are unable to instruct a broker to broker connected party transaction directly, the instruction to the brokers must come from the plan holder or the adviser appointed with authority on the account.

Settlement

Once the transaction has been completed, the purchasing broker will send settlement of the transaction to the selling broker.

Charges

To process a broker to broker connected party transaction, we charge a fee of £75 per line of stock. This is in addition to the fees that the relevant brokers may charge. Please contact the brokers involved directly to clarify their fees.