

FACT SHEET

April 2011

MASTERSIPP AND UNLISTED COMPANY SHARES

Since the introduction of 'pension simplification' on 6 April 2006, it has been possible for SIPPs to invest in unlisted company shares.

For adviser use only – not approved for use with clients

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 and other legislation, and depend on a customer's individual circumstances. They may be subject to change in the future.

This was a significant improvement concerning investment allowability into SIPPs, as it increased flexibility for investors.

Why invest in unlisted company shares?

Investing in unlisted company shares provides the opportunity for significant growth of funds, despite the risks involved.

Many investors take the opportunity to invest in their employing company (however there are restrictions regarding this activity), but it is possible to invest in any unlisted company with our MasterSIPP, allowing the SIPP significant flexibility and choice.

Allowability

We will allow unlisted company shares which meet the following criteria:

- » Company must be incorporated in the UK;
- » Must be in a trading company;
- » Must be ordinary shares (we do not allow preference shares or bonds);

There are also some restrictions on the investor:

- » The investor and connected parties* must not own 20% or more of the company;
- » The investor and connected parties* must not be controlling directors of the company;
- » The investor and connected parties* and concert parties** must not have personal use of any assets of the company;
- » Shares must be purchased and held by an investment manager or in a stockbroker account;
- » Shares must be freely transferable to another eligible investor and must not be subject to any shareholder agreements.

* Connected parties are defined in section 993 of the Income Tax Act 2007 available at www.opsi.gov.uk.

** A group of people acting together in order to take over or control a company.

What are the risks?

Strict requirements are set out in the Finance Act 2004 regarding unlisted company shares and these requirements must be met, otherwise the investment would be defined as 'taxable property'.

Where this is the case, substantial tax charges would be imposed by HMRC, potentially up to 70% of the value of the taxable property. Following that and on an ongoing basis, there is a tax on any income which the asset produces (or on deemed income and profits if there is no income) and when any capital gain is realised that too is taxed.

Fees

As well as standard MasterSIPP and plan transaction fees (found in our Schedule of Fees), there is an unlisted company shares facility fee of £300.

This is a one-off fee and is charged at the time of receipt of the Unlisted Company Shares Investor Agreement.

Our fees do not cover the costs of valuations or other legal fees. Please see our Unlisted Company Shares 'how to' guide and our Schedule of Fees for more information.

Unlisted company shares in a MasterSIPP

Unlisted company shares are an allowable investment option for investors with:

- » All MasterSIPPs set up on or after 15 March 2010
- » Non-protected rights benefits of MasterSIPPs set up before 15 March 2010

Unlisted company shares are not an allowable investment for the assets held by Suffolk Life Annuities Limited (SLA). For more information on investing in unlisted company shares in the MasterSIPP please consult our 'how to' Guide found at www.suffolklife.co.uk/asliterature.

Please see overleaf for the process of investing in unlisted company shares.

FACT SHEET

Process of investing in unlisted company shares

This timeline assumes a Suffolk Life MasterSIPP has already been established and an investment manager account set up – if not, please email ifaenquiries@suffolklife.co.uk to request an application pack.



For more information, please visit our Unlisted Company Shares 'how to' Guide found at www.suffolklife.co.uk/unlisted.

Suffolk Life is the trading name of Suffolk Life Pensions Limited (registered in England and Wales number 1180742) and Suffolk Life Annuities Limited (registered in England and Wales number 1011674). Both companies are authorised and regulated by the Financial Services Authority. Suffolk Life operates and administers self-invested pensions and similar pension products. The registered address of both companies is 153 Princes Street, Ipswich, Suffolk, IP1 1QJ. Tel: 0870 414 7000 Fax: 0870 414 8000. Telephone calls to Suffolk Life are recorded for training, monitoring and fact verification purpose.

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