

Bulletin 11
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In specie share contributions

Most advisers are well-aware of the opportunities to use assets rather than cash for contributions to a pension scheme, even if their clients are not. With the obstruction of the connected party rules gone, the attractions of holding assets they already own within a tax efficient wrapper of a SIPP should be clear to clients. Less obvious are the intricacies of the process. In this bulletin, we address the detail so you can make the process as smooth as possible for your client. While this is based on our approach, we would expect other administrators' requirements to be similar.

How *in specie* share contributions work?

Before making the contribution the administrator needs your client's intention, in writing, to make an *in specie* contribution of shares including details of:

- » the approximate value of the contribution
- » whether the contribution is personal or employer
- » if personal, whether it is net or gross
- » stock description/SEDOL codes
- » quantities of stock
- » approximate value of the stock

The administrator will then ensure the assets are allowable investments for the SIPP.

In practice, *in specie* contributions are normally made using an investment manager so the SIPP will need an account in place with an investment manager for the transaction to take place. If the ceding account is not held in the name of your client, the administrator will need confirmation of who the beneficial owner is. If this is not your client, the administrator will also require adequate evidence of identity for the third party.

A date will need to be agreed with all parties for the *in specie* contribution to be made.

Following the contribution, we will need confirmation from the investment manager of the exact value of the assets contributed and that the stamp duty has been accounted for. As the SIPP now holds the assets, any tax reclaim can be processed. It should be remembered that all relevant limits on tax relief still apply.

Frequently asked questions

Will my client receive tax relief on their personal contributions?

The same rules apply to *in specie* contributions as to cash contributions. If the contribution is eligible for tax relief, a reclaim will be processed.

Employer contributions are paid gross and therefore the SIPP can not reclaim any tax.

Will my client have to pay capital gains tax on the contribution?

In most cases, your client will hold these assets personally before the *in specie* contribution. The disposal of these shares will be treated as a chargeable gain or allowable loss for capital gains tax purposes.

Is stamp duty (and stamp duty reserve tax) payable?

Yes, because the scheme is accepting assets in lieu of a cash contribution. Stamp duty is payable at 0.5% of the deemed purchase price (i.e. the value of the contribution) and must be rounded up to the next £5.

Who pays the stamp duty?

Generally either the ceding or the receiving investment manager. Can Save-as-you-earn scheme (SAYE) shares be contributed? Yes. Provided shares being contributed originate from an approved SAYE or share incentive plan and the contribution is made within 90 days of

exercising the option, stamp duty will not be payable.

Can my client contribute employment-related share options that have not yet been exercised?

No, as the SIPP provider or trustee could not be granted an option based on employment. Can my client contribute property *in specie*? Yes. The same general principles still apply. Please see the fact sheet, [commercial property and land](#) for further details.



Our view

In specie contributions offer clients further freedom to make contributions even in the absence of available cash. We expect that the number of contributions made

in this way will continue to increase as the market place becomes more aware and comfortable with the processes involved.

Have your say

With Talking Points' first anniversary looming and having had nearly six months for the new rules to bed in, your areas of concern may have moved on – or not! This is your chance to have your say: we would like to hear

from you. Have the complex guidance notes on pension commencement lump sum recycling proved an irrelevance to your clients or a minefield for you? Are you still floundering for guidance on the allowability of your employer contributions for tax relief or does it help that the

local inspector now has the final say rather than the APSS? Whatever your concerns, your feedback will help us keep Talking Points relevant to your needs.

Please e-mail all your comments to ifaenquiries@suffolklife.co.uk, with 'Have your say' in the subject.

This bulletin is based on our current interpretation of the changes under Pensions Simplification.