



IN SPECIE CONTRIBUTIONS

Your 'how to' guide

SIPP

SUFFOLKLIFE

Background

A pension plan can be funded by contributions (from the investor, their employer or any other person) or by transfers from another pension arrangement. A transfer from another pension can be in cash or can be a transfer of assets – usually where the other pension is self-invested.

All pension contributions, however, must be expressed in cash under HMRC rules, but there are options for investors who wish to transfer personally-held assets to their SIPP. This guide provides more information on the process.

WHY YOU MAY WANT TO MAKE AN IN SPECIE CONTRIBUTION

Since the introduction of “pension simplification” on 6 April 2006 it has been possible to transact with connected parties. This means that you (or a person connected to you) can sell assets directly to your SIPP at market value. Your SIPP, however, may not have sufficient cash for this and you still want the assets to be transferred to it. To do this it may be possible for you to take out a loan and use it as a contribution into your SIPP. The money in your SIPP can then be used to purchase the assets and the proceeds you receive used to repay the loan. This is a well established process and more information and costs can be obtained from www.suffolklife.co.uk/connected.

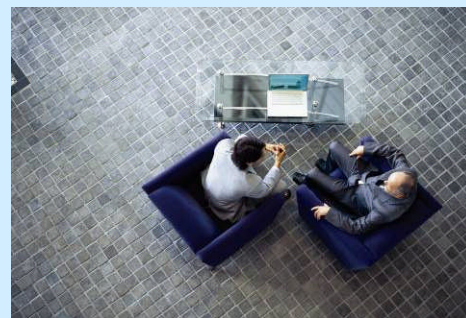
However, this is not always possible, and using an asset to pay the contribution can be a way to achieve the same result. This is called an ‘*in specie* contribution’. Legislation states that all contributions must be expressed as a cash amount, and to that end HMRC has set out a process which, if followed, ensures that the contribution of an asset in lieu of cash is acceptable.

The process is more complicated and risky than just paying in the assets and involves the establishment of a debt and the settlement of that debt with assets rather than cash. The process must be followed exactly so it is important that you take advice to ensure everything is considered. The full details of the process and risks are detailed in the remainder of this guide.

CONTRIBUTIONS AND TAX RELIEF

Tax relief and the amount reclaimed for an *in specie* contribution are treated exactly the same as any other contribution. We will treat the contribution as a net personal contribution unless informed otherwise. The date of receipt of the contribution is the date the assets are legally transferred, so if assets to cover the debt are transferred in stages tax reclaims may fall into different months. This differs from standard contributions where the date of the contribution is the date of receipt of the cheque even though the monies may not be in the bank account.

**Contribution limits
and tax relief apply
just in the same
way as a cash
contribution**



There is a clear need for advice when considering an *in specie* contribution into a SIPP. There are a number of things that need to be considered in great detail and your adviser will be best placed to understand your circumstances.

CAPITAL GAINS TAX

The transfer of assets in relation to *in specie* contributions are still treated as a disposal for capital gains purposes and hence any tax due will need to be paid by you.





There are two options to make the asset transfers, either using a broker or by manual transfer.



Our Asset Transfer team is on hand to help with allowability queries.

INITIAL THOUGHTS

Initially you will need to be confident that the assets you wish to use instead of cash are an allowable asset for your SIPP. This is your responsibility as you must **not** notify us of your intention to make an *in specie* contribution in connection with these assets.

Please be aware that if you start the process and the assets are not allowable then you will be liable to complete the contribution with cash. The debt must be recovered; otherwise court proceedings may be instigated. To check the allowability of any assets you can e-mail allowableinvestments@suffolklife.co.uk. You will need to include details such as the SEDOL code or the prospectus for the asset.

We do not currently allow properties to be used as an *in specie* contribution or third parties to pay *in specie* contributions on your behalf.

EXCESS TRANSFERS OF ASSETS

Assets are likely to vary in value during the *in specie* process and so in some cases we will receive assets valued greater than the debt created. In these cases we will still accept the excess assets as a connected party transaction. This is where we purchase the assets from you rather than accepting them as a contribution. It will therefore result in a settlement which can either be paid to you in the form of a cheque or directly to your SIPP on your behalf as an additional contribution. For all additional contributions received you must tell us if it is a net or gross contribution.

TAKING BENEFITS

You should consider if you will need to take benefits from your SIPP because we will be unable to begin any new drawdown arrangements until the *in specie* contribution has been completed.

MARKET VALUE

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

Specifically for UK listed shares where an investment manager or broker is used to carry out such transactions, we require the use of the bid price plus a quarter of the difference between the bid and offer price (quarter up pricing) at the time of placing the transaction. Please speak to your adviser or investment manager for further details.

RISKS

An irrevocable debt must be created in order for an *in specie* contribution to be made. An irrevocable debt is a debt that can not be undone or be cancelled once the request to make a contribution has been formally accepted. We are required by HMRC rules to pursue the debt until it has been settled.

The value of the asset can only be determined at the point of transfer. Therefore the value may vary significantly between the initial contribution request and the date that your SIPP receives the assets. It is, therefore, very important not to over estimate the value of the assets when you decide to make the contribution.



Creation of debt



All documents referred to in this timeline are available from our website

Investor

Initial intention

By sending in Client letter 1 you indicate your intention to make a contribution.

Investor

Agreement and creation of debt

By sending in Client letter 2 you agree to the terms of the debt which is about to be created.

DEBT IS CREATED

Investor

Is the asset allowable?

It is your responsibility to ensure that the asset you intend to use is allowable for your SIPP. Assets can be generally checked by contacting allowableinvestments@suffolklife.co.uk.

Please note if you start the process of an *in specie* contribution and the assets are not allowed, you will be liable to complete the contribution with cash.

Suffolk Life

Acknowledgement

We will acknowledge the intention letter explaining what you will be agreeing to if you wish to proceed by way of an *in specie* contribution.

Suffolk Life

Confirmation of debt

We will send you confirmation that the debt has been created, which must be settled by way of an *in specie* transfer of assets or cash payment.

If debt is not cleared then it may be necessary to issue court proceedings.



Settlement of debt

Please see overleaf for more information on the broker to broker method and the manual process.

Investor

Indicates assets to be transferred

You must send us a completed broker to broker form.

Form must be fully completed and signed by broker

Suffolk Life

Check and confirm

We will check that the assets are allowable and details of the broker before confirming in writing to you that you can instruct the broker to proceed.

Investor

Instruct broker

You instruct the broker to proceed with the transfer.

Broker

Completes transfer

Broker completes transfer of assets as agreed, reporting the required information to us within one working day of the transaction.

Suffolk Life

Confirm and advise

We will confirm the value of assets received and advise on whether there is any further sum to pay or if the amount is over the previously committed contribution.

OPTION 1 BROKER TO BROKER METHOD

OPTION 2 MANUAL PROCESS

Investor

Indicates assets to be transferred

You will send us a covering letter listing assets to be transferred, details of the broker to hold the assets once transferred as well as the following:

- » Stock transfer forms
- » Share Certificates

We recommend that certificates are sent by secure delivery because they can be costly to replace.

Suffolk Life

Check and confirm

We will

- » Check the assets are allowable
- » Value the assets
- » Pay the stamp duty
- » Arrange transfer with registrar

Sufficient cash must be available in the SIPP bank account to pay the stamp duty.

Suffolk Life

Confirm and advise

We will confirm the value of assets received and advise on whether there is any further sum to pay or if the amount is over the previously committed contribution.

Suffolk Life

Safekeeping

We will forward the new certificate to your chosen broker for safekeeping.

A broker account must be in place to receive this.



Options to settle your debt

Before you commit to an *in specie* contribution you should consider which process you will use to transfer the assets to your SIPP. This will firstly depend on *where* you currently hold them and secondly on *how* you want them to be held in your SIPP.

HOW ASSETS ARE HELD

If the assets are held in certificated format then you are likely to use the manual process unless you move them to a broker first.

You will need to send the stock transfer form to us along with the share certificates. Share certificates can be expensive to replace so we recommend that they are sent to us by secure delivery.

Assets already held with a broker can move across into a broker account within your SIPP: this is the broker to broker process.

You will need to ensure that your SIPP has already opened the broker account before we can proceed with the transfer.

BROKER TO BROKER

The broker to broker process is available if the assets are already held with a broker outside your SIPP and you wish the same broker to hold the assets within your SIPP.

They will be able to process the transfer of the assets internally but must not do this until we give the go ahead following receipt of the broker to broker form. This form must be completed by both you and your adviser prior to submission, available from our website.



MANUAL PROCESS

If your assets are held in certificated format then you will need to follow the manual process. We are only able to accept UK ordinary shares that meet our allowable investments schedule using this method.

The manual process utilises stock transfer forms partially filled out by you, then completed and submitted by us. For help with completing this form please see the next section.

Following completion of the process we will need a share certificate registered in the name of Suffolk Life. We require that this certificate is forwarded to a broker account established for your SIPP for safekeeping.

How to complete stock transfer forms



There are two versions of the stock transfer form depending on which Suffolk Life product you have. If you are unsure please contact your adviser or our client services team.

- The Suffolk Life SIPP please use [STF - Suffolk Life Annuities Limited](#)
- The Suffolk Life MasterSIPP please use [STF - Suffolk Life Trustees Limited](#)

You must complete the following parts of the Stock transfer form before submission

Full name of the company whose shares are to be transferred

Number of shares to be transferred in words

Your name and address

Your signature

X Do NOT complete Consideration or Date

The reverse of this form should be left blank

STOCK TRANSFER FORM							
(Above this line for Registrars only)							
Certificate lodged with the Registrar							
Consideration Money £	(For completion by the Registrar/Stock Exchange)						
<table border="1"> <tr> <td>Full description of Security</td> <td>Words</td> <td>Figures</td> </tr> <tr> <td>Number or amount of Shares, Stock or other security and, in figures contains only number and appropriate unit or units, if any.</td> <td></td> <td>(units of)</td> </tr> </table>		Full description of Security	Words	Figures	Number or amount of Shares, Stock or other security and, in figures contains only number and appropriate unit or units, if any.		(units of)
Full description of Security	Words	Figures					
Number or amount of Shares, Stock or other security and, in figures contains only number and appropriate unit or units, if any.		(units of)					
<table border="1"> <tr> <td>Name(s) of registered holder(s) should be given in full, the address should be given where there is only one holder.</td> <td>In the name(s) of</td> <td>Account Designation (if any)</td> </tr> <tr> <td colspan="3">If the transfer is not made by the registered holder(s) insert also the name(s) and capacity (e.g. Executor(s) of the person(s) making the transfer.</td> </tr> </table>		Name(s) of registered holder(s) should be given in full, the address should be given where there is only one holder.	In the name(s) of	Account Designation (if any)	If the transfer is not made by the registered holder(s) insert also the name(s) and capacity (e.g. Executor(s) of the person(s) making the transfer.		
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If the transfer is not made by the registered holder(s) insert also the name(s) and capacity (e.g. Executor(s) of the person(s) making the transfer.							
<p>I We hereby transfer the above security out of the name(s) aforesaid to the person(s) named below or to the several persons named in Parts 2 of Brokers Transfer Forms relating to the above security:</p> <p style="text-align: center;"><i>Delete words in italics except for stock exchange transactions.</i></p> <p style="text-align: center;">Signatures) of</p> <p>1.</p> <p>2.</p> <p>3.</p> <p>4.</p> <p>A body corporate should execute this transfer under its common seal or otherwise in accordance with applicable statutory requirements</p>		<p>Stamp of Selling Broker(s) or, for transactions which are not stock exchange transactions, of Agent(s), if any, acting for the Transferor(s).</p> <p>Date</p>					
<p>PLEASE SIGN HERE</p> <p>Full name(s) and full postal address(es) (including County or, if applicable, Postal District number) of the person(s) to whom the security is transferred.</p> <p>Please state title, if any, or whether Mr., Mrs. or Miss.</p> <p>Please complete in typewriting or in Block Capitals.</p>		<p>Account Designation (if any)</p>					
<p>I We request that such entries be made in the register as are necessary to give effect to this transfer.</p>							
<p>Stamp of Buying Broker(s) (if any)</p>		<p>Stamp or name and address of person lodging this form (if other than the Buying Broker(s))</p>					
<p>Reference to the Registrar in this form means the registrar or registration agent of the undertaking, not the Registrar of Companies at Companies House</p>							

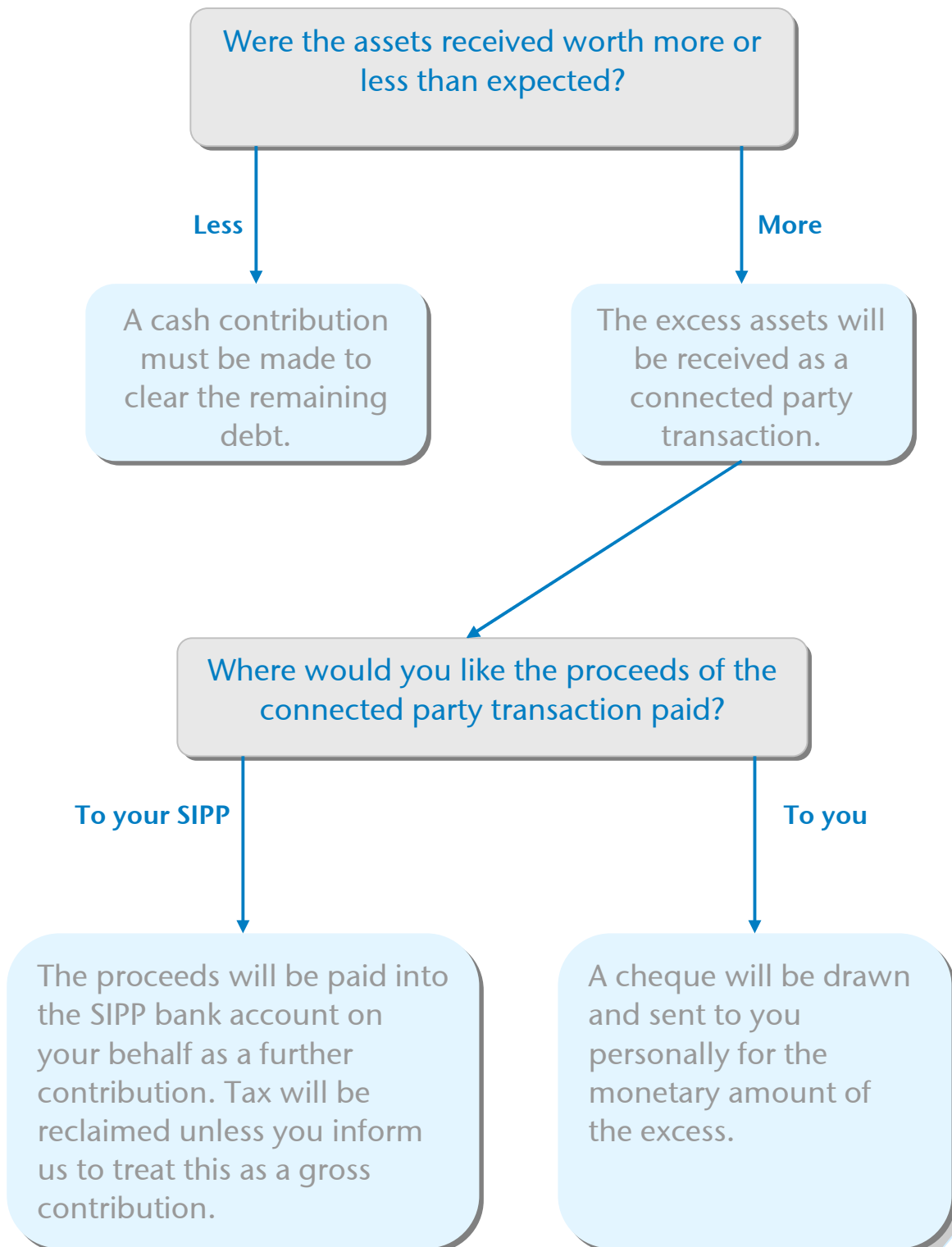
Do not complete Consideration section

Description e.g. ordinary shares of 1p

Number of shares to be transferred in numbers

Do not complete Date

What happens next?



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