



NIGEL SLOAM & CO

TAX YEAR CHANGES FOR PERSONAL CONTRIBUTIONS TO SSAS ARRANGEMENTS

A number of changes have come into effect from 6 April 2008, as a result of a variety of tax changes, which will affect those members making personal pension contributions into Small Self-Administered Pension Schemes:

- The maximum "Annual Allowance" for tax-relieved contributions to pension schemes has increased from £225,000 to £235,000 for 2008/9.
- Basic rate tax is reduced from 22% to 20%. Therefore members should pay 80% net of their desired gross pension contribution into the Scheme and the Scheme Administrator will reclaim from HMRC the corresponding 20% of gross – rather than the corresponding 22% in 2007/8.

In consequence, members who are higher rate taxpayers will now need to reclaim the higher rate relief of 20% (rather than the previous 18%) through their self-assessment tax returns.

Example

Gordon B earns (but does not deserve) £160,000.00 per annum (excluding expenses) and pays higher rate tax.

He wishes to make a personal pension contribution of £10,000 gross to his SSAS.

Gordon B therefore, writes a cheque for £8,000.00 to the scheme and sends it to the Scheme Administrator, together with a personal contribution declaration.

The Administrator reclaims basic rate tax of £2,000 (20% of £10,000) and adds it directly to the fund.

As a higher rate taxpayer Gordon is then able to claim (40% less 20%) of £10,000 - an additional £2,000 allowance - through his self-assessment return.

Some Notes:

- Annual tax relief is available on appropriate member's pension contributions, provided these do not in total - to all registered pension schemes - exceed the lower of:
 - a) UK Relevant earnings (not including investment income); and
 - b) the Annual Allowance less all or any employer's pension contributions paid or deemed paid in respect of the member.
- This is all subject to a de minimis pension contribution limit of £3,600 p.a. currently.
- Any SSAS member wishing to make a personal pension contribution needs to make a declaration in respect of their total contributions before any payment is made.
- If a personal contribution is made before a declaration no tax relief can be claimed!! Any decision to make contributions to your pension arrangement should be made in the light of your personal circumstances including whether you have sought or are seeking Enhanced Protection! Please contact your consultant regarding this.