

# SSAS Practitioner.com anticipates increased popularity of loans from pensions

In these times of reduced availability of credit, the newly-established low-cost specialist SSAS provider, SSAS Practitioner.com, predicts an increase in the number of loans made from Small Self Administered Schemes to Limited Companies (loanbacks). Interest on the loan is paid directly to your pension fund, instead of to the bank. Why pay interest to the bank when you can use it to help fund your retirement?

A SSAS is the only pension scheme that allows loans directly to your business, or indeed to another business, from funds held in your pension scheme. The business borrows funds from your SSAS and repays the capital and interest to your SSAS on a monthly or quarterly basis. The interest therefore directly benefits you and accrues in a tax-exempt environment.

You can loan up to 50% of the value of your SSAS to your business. If you transfer pensions from other schemes into your SSAS (subject to obtaining financial advice), these additional funds can also be used to support a loan to your business. Furthermore, any contributions made to your SSAS can be used immediately to fund the loan, leading to significant tax advantages.

There are a few provisos. SSAS loans to your business must have security. Importantly, this safeguards your SSAS from a loan default by the borrower, which may well be your own business. The loan is secured as a first charge on any fixed asset, irrespective of who owns the asset. The fixed asset required for the charge can include machinery, residential property or commercial property (you may need to pay a solicitor to secure the charge against the loan). HMRC rules require that the security is equal to, or more valuable than, the amount of the loan, thus ensuring that your SSAS is not penalized should the borrower fail to make the required repayments. The interest on the loan must be at a commercial rate, and is set by HMRC at 1% above the average base-lending rate of the six main high street banks. The term of the loan cannot exceed five years. There must be mortgage-style equal repayments of capital and interest on the loan, be they monthly, quarterly or annually.

The tax-efficient nature of making a loan to your business is illustrated as follows:

Assuming your business pays corporation tax, contributions to your SSAS attract corporation tax relief. Half of the amount contributed can then be lent to your business as a loan. The net effect is that your company benefits from an injection of cash, whilst reducing its liability to corporation tax. In addition, the interest on the loan is paid to the SSAS rather than to the bank.

SSAS Practitioner.com believes the ability to lend money tax efficiently from a SSAS is a hugely beneficial, yet underused, attraction of SSASs.

SSAS Practitioner.com charge £800 + VAT pa, fully inclusive (up to 4 members), for managing your SSAS. There are no 'time-cost' or 'fee-menu' style additional charges. Most providers charge extra for setting up a loanback; not SSAS Practitioner.com. If you wish to have your SSAS administered by SSAS experts, who provide a great service at low cost, contact SSAS Practitioner.com:

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