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Mr Kul Sulh
C.K.R. Accountants
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Erith
Kent
DA8 1AF

19 March 2008

Dear Kul,

Tile Land Executive Pension Scheme

We have tax registered for reliefs the pension scheme, pending receipt back of the Trust Deed. The PSTR number is 00713541RB.

I understand that Majid wishes to contribute the property to the SSAS in this tax year to qualify for taper relief. The valuation of the property amounts to £430,000.

We can structure the scheme for Majid to obtain tax relief on £430,000 (provided that he has earnings of this) and utilise taper relief on the contribution. There are a number of different ways of achieving this, the route should be that which Majid feels most comfortable with.

Firstly though, I think it would be helpful if I give you a background to the issues regarding pension input periods. There is an allowance of £225,000 for the current tax year and £235,000 in the 08/09 tax year on personal contributions. The annual allowance runs to each tax year, increasing by £10,000 annually. The pension input commencement date, being the date a pension contribution is paid, can end within the same tax year or can end in a later tax year; a subsequent nomination can be made in the same tax year but may also fall into the next financial year.

Therefore, in Majid's case, a pension contribution could be made on 20th March 2008, but the input period ended on 4th April 2008, with a subsequent input period commencing on 4th April 2008 but ending on 4th April 2009. The contribution of £430,000 will qualify for tax relief purposes in the current year, but will utilise the 07/08 allowance and part of the 08/09 annual allowance (205,000/235,000).

To add a little bit more spice to this, we could set up the SSAS whereby all the benefits come into payment before 6th April 2008, provided that he is over 50 years of age. Under this method, there is **no** annual allowance test in respect of an arrangement (i.e. a SSAS) where before the end of the tax year the individual has become entitled to all the benefits from that arrangement. Through this method, the property would be contributed to the SSAS, and the SSAS would need to pay Majid 25% of the value of the fund tax free. He could defer income up to age 75, should he choose. This could be very tax efficient for Majid and would give him a tax free payment of £107,500. He would also obtain 40% tax relief on the contribution and obtain full taper relief. The cash lump sum payment could be funded by a 22% tax credit on the contribution of £430,000, the balance would need to be paid from perhaps an employer's contribution (non allocated) to the SSAS - again tax qualifying.

Whichever route is chosen very much depends on how he wishes to structure the contribution. For example, does he wish to recover cash from the SSAS in respect of the transfer of pensions from Scottish Equitable or does Majid simply wish to contribute the property into the scheme to utilise taper relief and get tax relief at 40% of his earnings. Does he also wish to take 25% of the fund tax free now?

The work needed to make sure all HMRC requirements are covered is substantial to say the least and we do not have a great deal of time. We will propose a fixed fee for whichever route is chosen.

Please let me have your thoughts by the weekend so that an arrangement can be structured in time for next Tuesday.

Kind regards

Yours sincerely

Gavin McCloskey
For Pension Practitioner .Com

c.c. Dr M Alimadadian