Gavin McCloskey <gavinm@pensionpractitioner.com>

Pension Scheme

1 message

Gavin <gavinm@pensionpractitioner.com> 5 January 2018 at 17:46
To: ali@tkoc.co.uk
Cc: Kul - CKR <Kul@ckrmail.com>

Dear Majid,

Firstly, happy new year to you and family and I hope that you have a good 2018.

Stacy has passed me your email and I do apologise for the delay with my reply, but I had been outsourced overseas on a number of pension projects which closed off before Christmas. Given the protections needed and looking at the longer term outlook of the scheme's prospective value, I need to put in some additional tax planning for your scheme. Therefore, I have agreed with Stacy that I will be managing your scheme going forward and will complete the scheme returns and Pensions Regulator returns going forward.

I had undertaken a scheme and benefit review over the Christmas break and made an assessment of lifetime allowance protections and would like to set out my guidance at this time. It might be helpful if I could give some background guidance to lifetime protection in respect of your scheme.

Lifetime protection has changed significantly over the years, Stacy had undertaken a monitoring process on your scheme when she completed the tax returns to see if protection was required. You may recall that under fixed protection on 5 April 2015 of £1.5 million, your individual pot must have been £1.25 million on that date. At the time, your fund was not of that amount, therefore we could not put that protection in place under HMRC rules.

In order for protection of £1.25 million, you must have a pension fund of at least £1 million on 5/4/2016. Therefore, as you had this amount as a net sum you will be protected for a total value of £1.25 million as at 5 April 2016. I therefore propose that based on a net fund value of £1,231,788 you are allocated £1m and Elham is allocated the balance.

All investment growth for your pot of up to a maximum of £1.25 million will continue to accrue, but you must ensure that

- You or the company does not make further contributions to any pension
- You do not break the transfer restrictions of moving the pension fund.

Once your own account hits £1.25 million, you may need to draw your cash lump sum from the scheme of £312,500 as you could accrue a surplus pot which may be subject to tax at 55% further down the line. I will give further guidance on this separately.

Elham will therefore hold 18.82% of the fund, which in cash terms amounted to £231,788 as at 5 April 2016. I will need to record this in a trustee minute, and formalise her accrual under the scheme as historically, the scheme was non-earmarked. Given the properties which sit in the scheme, it may be wise to allocate the share of property of the greatest prospective value to Elham to enjoy the tax free growth. I will explore the options in this regard separately, but given the amount of development work undertaken on the properties, it would be useful to have your thoughts on which has the best projected growth value since April 2016.

By way of a copy of this email to Kul, I am required to undertaken registration known under the Registered Pension Schemes (Provision of Information) Regulations as relevant benefit breakdown for undertakings of protection and would prefer to do this with Kul online via self assessment. Kul, would you be able to give me a day and time suitable for you to file this as Majid's accountant. It will take about 30 mins to complete and I can go through the relevant stage declarations with the values needed.

Majid, if you could confirm that you are happy with this proposed asset allocation of £1m for you and the balance for Elham, with some comments on the two properties held it would be great, I can then finalise the paperwork at my end.

Kind regards

Gavin