

## Fact Sheet 7

### Can I transfer assets I own to my SIPP as a contribution?

Under current legislation, contributions to a registered pension scheme, such as one of our SIPPs, must be a monetary amount. HM Revenue & Customs (HMRC) guidance confirms that such contributions may be by cash, cheque, direct debit or bank transfers. A simple transfer of assets to your SIPP (known as an “in-specie” contribution) is not permitted.

It is, however, possible to make an “in-specie” contribution provided it is made in settlement of a legally enforceable promise to pay a certain level of monetary contribution to your SIPP.

#### What do I have to do?

Should you wish to make an “in-specie” contribution, such as shares or commercial property, to your SIPP you should be aware of the following process, which must be followed:

1. You must firstly enter into an irrevocable, legally enforceable document under which you agree to pay a certain monetary amount (expressed in £s) to your SIPP as a contribution. This is achieved through our standard letter which states:
  - you wish to make a contribution of a certain sum (expressed in £s) to your SIPP; and
  - you agree that by signing the letter you are creating an irrevocable, legally enforceable obligation to pay that sum to your SIPP. The letter is in the format of a deed. This is necessary for legal reasons to ensure that a legally enforceable obligation is created.
2. On receiving your letter creating the obligation to contribute the specified sum to your SIPP, we will seek final, formal written confirmation from you that you wish the contribution to be settled by transferring ownership of the said asset to your SIPP.

Please note that the above deed must be entered into before we can give any legal commitment to accept a specific asset towards settlement of the promised contribution. With property, we only provide a legal commitment to accept the asset into a SIPP when we exchange contracts. So the deed must be in place before we can exchange contracts. It is important that you understand that once you have signed the deed you are committed to making the contribution — if for some reason we cannot accept the asset as a SIPP investment you must fulfil the commitment by other means.

#### What can be done before I make the contribution commitment?

Before you create the irrevocable obligation to contribute to your SIPP, you may want to make independent enquiries to ensure there are no issues that are likely to stop the SIPP accepting the asset (i.e. with property, that there are no environmental, survey, search or valuation issues).

We can, of course, provide you at any time with generic confirmation that an asset is an acceptable SIPP investment. At present, we will generally only accept commercial property or quoted shares as an in-specie contribution, although we will consider other assets. If you wish to use unquoted shares you should read our Unquoted Share booklet before proceeding.

Where the intention is to use property, unquoted shares or less mainstream investments, we are prepared to carry out the normal checks and investigations we would make when purchasing property / unquoted shares in advance of completion of the above deed, to ascertain whether there are any issues that would stop us in principle accepting the asset into the SIPP. With property, these checks would include us appointing solicitors to do the necessary searches and the commissioning of surveys and environmental reports. If no issues arise we will then provide confirmation that ‘in principle’ there is no reason why the asset cannot be an acceptable investment under our SIPP. We will then ask for completion of the deed before going any further and provide formal agreement (with property, through the exchange of contracts).

If you wish us to proceed as above you must agree to meet both our costs and any other associated fees (such as solicitor or valuer fees etc) for making the above enquiries if, for any reason, the proposed transaction does not proceed.

**Pointon York SIPP Solutions Ltd reserve the right not to accept an asset in settlement of the contribution. If you are in any doubt that a particular asset can be transferred to your SIPP in satisfaction of the contribution, contact us on 01858 419300.**

## What happens once the asset is assigned to my SIPP?

Following legal transfer of the asset to your SIPP, provided the market value of the asset is equal to the contribution which you have undertaken to make, we will confirm that the contribution has been settled.

**If the market value of the asset which is transferred to your SIPP proves to be less than the monetary amount which you previously agreed to contribute, you will remain liable to contribute the difference.** This can be achieved by a normal contribution by cash, cheque, direct debit or bank transfer, for example.

Alternatively, if the market value of the asset transferred to your SIPP exceeds the monetary amount which you agreed to contribute, we will contact you to ensure that the “excess” contribution is dealt with in accordance with your intentions. The contribution will still be the promised amount, not the value of the assets transferred. We can deal with this excess by assigning assets back to the individual (where practical) or by a cash refund. Alternatively, instead of physically refunding the cash we can instead book that cash refund due as a further cash contribution (provided properly audited). To do this, the cash must be physically in the SIPP bank account, and the ‘top-up’ contribution date would be from a current date.

**Please note: HMRC do not expect assets to be assigned across to the SIPP which are knowingly worth well in excess of the due amount;** an excess value of assets should only arise because of a genuine uncertainty of the market value of an asset (for example, where dealing with quoted shares - see below).

## Timing and market value of your “in-specie” contribution

You should be aware that the contribution will **not** take place on receipt of the signed deed creating the obligation to contribute.

Any contribution will only take place when the asset is irrevocably transferred to your SIPP in fulfilment of that obligation. For example, in the case of commercial property this will be the date of exchange of contracts. This may be of particular relevance if you intend the contribution to be settled before the end of a tax year or your SIPP’s ‘pension input period’ for Annual Allowance purposes (*read Fact Sheet 2 ‘The Annual Allowance’*).

Please note that the transfer of assets will trigger a **capital gain** and / or **stamp duty** liability. This will be based on the market value at the date the asset / property is irrevocably transferred to your SIPP, rather than the date you make the contribution commitment. Whilst the market value must be supported by an independent valuation in the case of property and unquoted assets, it should be noted that HMRC may possibly challenge this valuation in the future.

Where you are making a personal contribution, you must ensure that it is clear whether the amount promised is net of basic rate tax or gross. You must ensure that the gross contribution being ‘promised’ is within your tax relievable limit for that tax year (*read Fact Sheet 1 ‘Contributing to your SIPP’* for more information which also explains how any higher rate relief due is claimed). The value of the asset eventually transferred is the net amount, upon which basic rate tax relief will be claimed.

## Issue with valuing Quoted Shares

Under the tax legislation, shares and bonds quoted on the London Stock Exchange must be valued here on a prescribed basis (section 272 TCGA 1992 - this is commonly referred to as the ‘quarter-up’ value). This is a method to calculate an average price based on the closing prices, and the highest and lowest normal trades for the day. It will be this value that counts towards your promised contribution, and be the value any capital gains or stamp duty is calculated on. Because this value cannot be calculated until after the point of trade, it is likely the calculated market value of the shares will be under or over the promised amount. If under, you must make up the difference. We require such transactions to therefore go through a stockbroker. To make the process smoother, we recommend that you instruct the stockbroker to transfer shares they consider worth under the monetary contribution value due, then once the market value is established we can inform you of the cash top-up payment required.

PLEASE NOTE: This fact sheet is based on Pointon York SIPP Solutions Limited’s understanding of current legislation and HMRC Guidance at the time of print. It should not be relied upon as a statement of law, or for advice purposes. Whilst every effort has been made to ensure that the information is correct, we cannot accept responsibility or liability for any omission or inaccuracy provided in this document. Pointon York SIPP Solutions Limited is authorised and regulated by the FSA.