

Cash, cash and cash!

We make no apology for going on about cash. As we have explained before, most SIPP's offer poor interest rates on cash deposits. The SIPP Provider and/or the bank make significant "turns" (often not transparent) on cash held in their SIPP's.

We are different. First, we are not tied to any bank, so clients can invest their money in the bank of their choice.

Secondly, we take no turn.

Thirdly, we spend a lot of time badgering banks to give our clients high rates of interest on their cash deposits.

Remember that about 25% of SIPP monies at any one time are in cash – more than is in property!

Our SIPP clients get a **minimum** of 0.25% below base, instant access - and indeed we have some banks that will offer **base rate, and instant access**.

So we ask IFA's:

Do you know what rate of interest your clients are earning on their SIPP cash?

Would they benefit by transferring to an MW SIPP and getting better rates? Take someone who has say £30,000 in cash. If they get an extra 1% pa, that's £300 a year – **every year**. That goes a long way to paying our SIPP fees!! (Our annual SIPP fees are 1% (minimum £250, maximum £600). We do not charge a take-on fee for those who already have a SIPP with another Provider.

Remember that IFA's can earn from this – they can charge a fee for advising on the cash investment.

SSASs etc

Many SSASs have substantial cash assets. Again, are you as the IFA aware of the interest your clients are earning on cash? We can get comparable rates for SSASs as for SIPP's and would be happy to effect an introduction and arrange the paperwork. Our one off fee for such work is also 0.25% of the cash involved; subject to a minimum of £250 and a maximum of £500 – again the fee is subject to VAT. Alternatively you could always transfer the SSAS to us and get the enhanced banking options as part of our normal service!

Corporate schemes

Company schemes, both money purchase and final salary, often have substantial cash deposits. We can offer the same service as with SSASs.

A reminder: we also offer an Independent Trustee service to Corporate Schemes.

Gilt yield for drawdown rates

The gilt yields to use for drawdown calculations are:

December 2006	4.25%
January 2007	4.50%
February 2007	4.50%
March 2007	4.50%
April 2007	4.50%
May 2007	4.75%
June 2007	4.75%

Tax relief on company contributions

You may recall that HMRC were tardy in releasing their post A-Day guidance for local Inspectors of Taxes on the granting of tax relief on company contributions. Many practitioners seem to be still unaware that this guidance was issued back in January.

The guidance is in HMRCs Business Income Manual, and starts at BIM46000. The weblink is:

www.hmrc.gov.uk/manuals/bimmanual/BIM46000.htm

The principles remain as previously:

"In deciding whether a contribution to a registered pension scheme is allowable, the same rules apply as for any other expense. In particular, any contribution must be paid wholly and exclusively for the purposes of the trade for it to be deductible."

"The principles underlying the wholly and exclusively test are long established and will apply equally to pension contributions as to any other trading expense"

The section relating to tax relief for controlling directors and shareholders is at:

www.hmrc.gov.uk/manuals/bimmanual/BIM46035.htm

Two important statements in that section are:

"A pension contribution by an employer to a registered pension scheme in respect of any director or employee will be an allowable expense unless there is a non-trade purpose for the payment."

"In cases where the contribution is part of a remuneration package paid wholly & exclusively for the purposes of the trade, then the contribution is an allowable expense."

Unsurprisingly, and indeed perfectly reasonably, excessive pension contributions for those who do little for the company eg the spouse director who does not even know where the office is, are not allowed: "One situation where all or part of a contribution may not have been paid wholly & exclusively for the purposes of the trade is where the level of the remuneration package is excessive for the value of the work undertaken by that individual for the employer. In this situation, you should consider whether the amount of the overall remuneration package, not simply the amount of the pension contribution, was paid wholly and exclusively for the purposes of the employer's trade."

The good news is that there is no reference to linking tax relief on pension contributions to earnings. In other words, HMRC have accepted that post A-Day, pension contributions are not linked to earnings. Therefore they will grant tax relief on pension contributions in excess of the member's earnings provided a) the overall remuneration package is consistent with the value of work undertaken and b) the contribution was paid wholly and exclusively for the purposes of the employer's trade.

Our website

We encourage you to check out our website, which includes much technical support. We are getting 15,000+ hits a month, so we must be doing something right! Join in and see what you have been missing.

May 2007

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