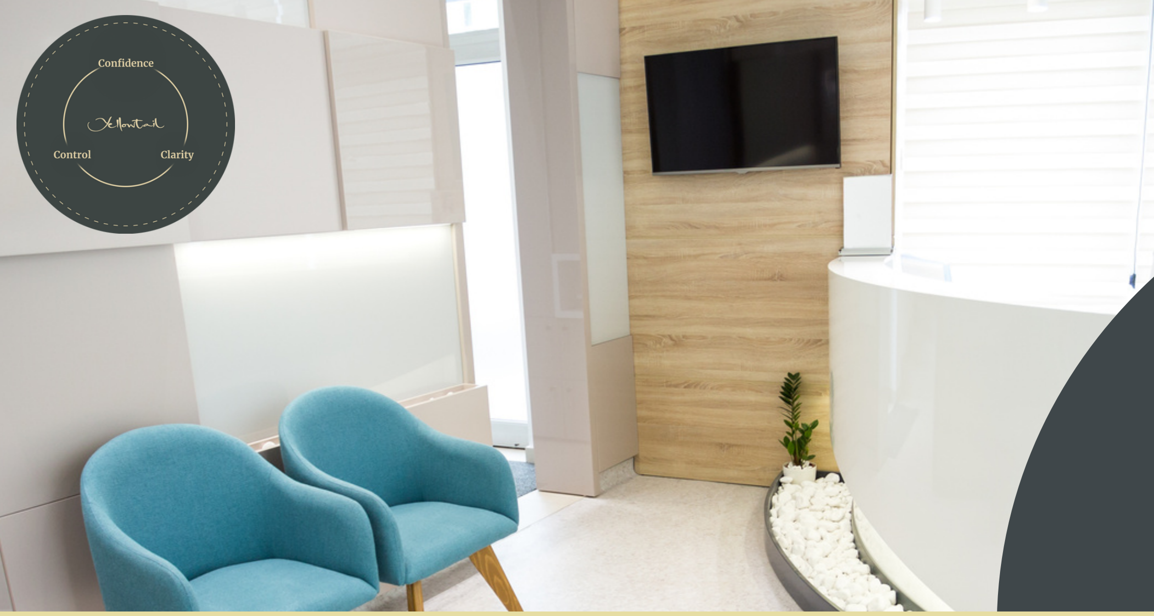

# Tax Planning for Doctors Dentists
## And other commercial property owners.

For any professionals - doctors, dentists, lawyers - who own their own business premises, the tax advantages of owning that property through a pension scheme shouldn't be overlooked.

In this factsheet we explain how a Small Self-Administered Scheme (SSAS) can be a core part of your tax and retirement planning.

## The Swiss Army Knife of Pension Schemes

The multi-functional Small Self-Administered Scheme (SSAS) is a bespoke pension scheme which offers you flexibility and control over the investment of its assets.

**Commercial Property**
Investing in commercial property is a popular feature of the SSAS, particularly for business owners.
There are many benefits of using a SSAS to purchase your commercial property. And it's an option we've used with our doctor and dentist clients at Yellowtail.

**Estate Planning**
The current tax treatment of pension fund assets on death, and the ability to pass on your pension fund to the next generation, also make the SSAS an ideal vehicle for family pension planning.

## Did You Know?

Your property purchase can be funded by employer or member contributions on which tax relief will have been received.

The pension fund can borrow up to 50% of its net assets in order to facilitate the purchase.

Rental income and any realised gains on sale are free of tax within the pension fund.

The rent payable by the tenant (your business/limited company) will be treated as a business expense for tax purposes.

The property should be outside the member's estate for Inheritance Tax and may be passed on to any nominated beneficiaries on death.

The property owned by the pension fund sits outside the business, so it's protected from creditors in the event of insolvency.

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## Important considerations.

Of course, as property is an illiquid investment and may take some time realise, it's important your pension fund also contains some liquid assets, particularly as you near retirement.

The pension fund is subject to various regulations associated with UK pension funds. These are designed to protect the interest of pension scheme members.

This means there are some conditions to be aware of, and your financial planner will be able to guide you through these.

## Who We Are

**We are financial planners. We work to understand a person's overall financial situation, and how it needs to support them over their lifetime. The plan should drive investment conversations, not which fund manager or sector is flavour of the month right now.**

**We have extensive experience working with dentist and doctors, understanding your specific needs and the complexities of the NHS Pension Scheme.**

## CASE STUDY 1.

### SSAS BUYS NEW DENTAL PROPERY IN NEED OF RENOVATION

Background.

Henry and his wife Anne own and run a dental practice. They purchased the property using finance. The rental income from the practice was paid into their personal accounts, on which they paid income tax at 45%.
Looking to the future, when they sell the property the proceeds would be subject to Capital Gains Tax.
The property needed renovating at a cost of £150,000 which they were planning to borrow.

The Plan.

- Both directors had existing personal pensions (alongside an NHS pension). The personal pensions were combined to create a SSAS.
- The directors continued making contributions to the pension (the SSAS). After 3 years, these contributions, plus some carry forward allowance, created enough money in the SSAS to buy the premises from them.
- This released the clients from debt of £250k each, improving their financial situation.
- Rent was then directed to the SSAS (a deductible expense for the practice) and away from personal accounts.
- The SSAS was then used to obtain a mortgage of £150k to complete renovations.

**Positive Outcome:**

**Funding the purchase and the renovations via the SSAS created significant savings, due to:**

**Corporation Tax Relief on £250k contributions – providing £50,000 of relief.**

**Placing property ownership into the SSAS created additional tax efficiencies, as:**

**Rental income is no longer subject to Income Tax within the SSAS and Capital Gains Tax (CGT) no longer applies when the property is sold.**

## CASE STUDY 2.

### SSAS BUYS OUT CLIENTS' BUSINESS PARTNER FROM X3 COMMERCIAL PROPERTIES

Background.

Su and Mani were concerned about the 3 commercial properties they owned jointly with Su's brother who was going through divorce proceedings.
They were looking for ways to separate themselves for financial security.
With limited liquid assets, they were unable to buy out Su's brother (the properties had a joint value of £1.25m).
At the time, Su and Mani held personal pensions with another provider with a joint value of £1m.

The Plan.

- Create a SSAS and move the personal pension funds across.
- SSAS to purchase 55% of all 3 properties for a total cost of £775K.
- The client become the co-owners, in conjunction with the SSAS.
- Rent becomes payable to the SSAS on 55% of 3 properties = £55,000 per annum.
- Sponsoring employer to continue making maximum pension contributions of £40,000.

**Positive Outcome:**

**Using the existing pension monies (via the SSAS) to fund the buy-out, allowed an efficient untangling of the financial relationship and created greater tax efficiencies.**

**(i) Rental income allocated to the SSAS is not subject to income tax**

**(ii) Capital Gains Tax (CGT) is not applicable on sale of the property. (As part owned by the SSAS)**

## CASE STUDY 3.

### SSAS REPLACES EXISTING BANK LOAN CURRENTLY PAID TO SPONSORING EMPLOYER

Background.

Francis and Petra, both dentists, held a practice loan of £200K. Due to Bank of England rate rises, their interest rate had increased to 8.5%.
They were concerned about further increases in their monthly expenditure.
We had previously set up a SSAS which owns the practice premise and receives rental income from the business.
The SSAS held £300K in liquid assets.

The Plan.

- Create a loan through the SSAS at a commercial rate of 7%, fixed for 5 years, to repay the bank loan.
- Repayment to be made by our clients (shareholding directors) to the SSAS.
- The SSAS will receive £42,000 of interest which would otherwise have been paid to the bank.
- Sponsoring employer (clients) to continue making maximum pension contributions of £40,000 each.

**Positive Outcome:**

**Using the SSAS as the lender, the clients now repay their loan at a lower fixed rate.**

**The SSAS will receive £42,000 of interest which would have been paid to the bank. This £42,000 can be invested via the SSAS.**

**The interest payment to the SSAS is a deductible expense for corporation tax purposes.**

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