

In-Specie Contributions

(For James Hay Modular iSIPP, IPS SIPP, IPS (2008) SIPP, Family SIPP, IPS Pension Builder SIPP, James Hay Partnership SIPP and SSAS only)

An in-specie contribution is where, rather than making a cash payment to a pension scheme, assets such as property or shares are paid across instead, by transferring their ownership to the pension scheme. This factsheet provides guidance on carrying out an in-specie contribution.

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HM Revenue & Customs (HMRC) has provided guidance on how this should be carried out. It is therefore important that the process is followed in accordance with HMRC's guidance:

1. The specific monetary amount of the contribution (net or gross) must be decided on at outset and the member must notify us of this accordingly. It is not permitted to simply state "the value of these shares...."
2. We cannot accept the value of an asset before the monetary amount of the contribution has been notified. We cannot receive or approve specific investment details ahead of the contribution notification, although we can give generic approval for the type of asset being transferred. Once the contribution notification has been made, the acceptance of any investment to settle this will be subject to our normal investment vetting process.
3. Once the amount of the contribution has been notified to us, it creates a legally binding debt that the pension scheme is required to collect. We therefore use an in-specie contribution notification and declaration which must be completed at outset.
4. The asset(s) to be transferred to the pension scheme must be valued at their open market value, and we must receive a copy of the valuation. For property or unquoted shares, this involves an independent valuation from a qualified valuer. For quoted assets, the value is the quoted value on the day the assets are transferred.
5. The asset must then be re-registered into the names of the pension scheme Trustee(s). In the case of property this will involve a solicitor, and for shares a stock transfer form will normally need to be completed.
6. If the asset is a property or unquoted shares, our usual procedure for these investments must be followed.
7. We will require a copy of the dated property transfer, share certificate or contract note as evidence that the re-registration is complete.
8. It is our understanding that the transfer of an asset to a pension scheme as an in-specie contribution is subject to stamp duty (this is because although the transfer is for nil consideration, it is a transfer of value) and capital gains tax may be payable by the transferor - i.e. the company or individual making the contribution. Stamp duty payable where a stock transfer form is involved will be calculated on the value of the asset on the date on the stock transfer form. If these forms are not already dated when received, we will date them when they arrive at our offices within our normal timescales and will not take account of market value fluctuations.
9. An in-specie contribution is not treated as finalised until the date the transfer of the asset is complete:
 - If a stock transfer form is used, the date on the stock transfer form will be treated as the date the contribution is 'paid', as it represents the date the contract to make the contribution is fulfilled;
 - If a CREST transfer form is used, the date that the asset(s) formally transfers into the new nominee will be treated as the date the contribution is 'paid', as it represents the date the contract to make the contribution is fulfilled;
 - If a Property is transferred, the date entered on the transfer form TR1 will be treated as the completion date and the date the contribution is 'paid', as it represents the date the contract to make the contribution is fulfilled;
 - If the transfer is between two Investment Managers, the date that the asset(s) formally transfers into the new nominee will be treated as the date the contribution is 'paid', as it represents the date the contract to make the contribution is fulfilled.

10. Tax relief cannot be claimed until after this process has been completed.
11. An in-specie contribution can therefore result in an under or overpayment when the asset transferred is finally valued.
12. Underpayments must be topped-up by a cash payment. If this is paid after a tax year end, the top-up is treated as a second contribution in the next tax year.
13. For overpayments, the pension scheme will effectively purchase the extra assets from the member at the market value by making a cash payment to the member (this must be an arms length transaction) – no tax relief is granted on the excess.

Tax relief is granted on an in-specie contribution in the usual way, depending on whether it is an employer or personal contribution.

Where an in-specie contribution of property or unquoted shares is paid, our standard fees apply for investment into these types of asset. Where a different class of asset is transferred, we reserve the right to make a time/cost charge depending on the amount of work involved.

Important Information: This factsheet is issued by James Hay Partnership as general guidance on in-specie contributions. It is based on our understanding of current UK legislation and HMRC practice at the date this document was produced which may be subject to change. We recommend that a Member takes advice from a Financial Adviser if they are unsure as to the appropriateness of making an in-specie contribution for their personal circumstances. The tax treatment depends on individual circumstances and may be subject to change in the future.

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