

Investing in company's own shares

Take control of your pension



There is a limit on holdings of shares in the sponsoring employer of 5% of a scheme's assets or 20% of scheme assets where they relate to more than one sponsoring employer. In the latter case the amount that may be held in respect of any one employer is limited to 5% of scheme assets.

However this restriction does not apply to registered pension schemes that are not "occupational pension schemes" as defined in the Finance Act 2004. Therefore a registered pension scheme established as a SIPP could invest up to 100% of the scheme assets in shares of the "sponsoring employer". (This is provided that the employer did not set up a trust for the SIPP because the trust would mean the SIPP would be classified as an "occupational scheme" under the new regime).

The percentage of value is calculated at the time the payment is made for the shares by the scheme, and is not re-tested at a later date, unless new shares in the sponsoring employer are acquired. There are no restrictions with regard to the percentage of shares which can be held in one company (e.g. a registered pension scheme could potentially own 100% of the share capital of a company) provided that the sums invested are less than 5% of the fund value.

Where the 5% or 20% limits are exceeded, the amount is subject to an unauthorised payment charge on the employer. The scheme is also subject to a scheme sanction charge.

Pre A-Day Holdings

Where a scheme already held shares in a sponsoring employer prior to 6 April 2006 the shares may continue to be held. If, however, the scheme purchases shares in a sponsoring employer after 6 April 2006 the 5% limit will apply and the total holding of shares including the value of the shares held prior to 6 April 2006 will have to be taken into account.

Impact of "Taxable Property" Rules

Full account needs to be taken of the impact of the "taxable property" rules (see the Taxable Property fact sheet) where consideration is being given to the purchase of unquoted shares of the sponsoring employer. In particular the rules on indirect holdings of "taxable property" could prevent a registered pension scheme from holding any shares in the employer of a scheme member.

For more information about L&C Pensions please contact:

L&C Pensions, 38 – 42 Perrymount Road, Haywards Heath, West Sussex RH16 3DN

Tel: 0870 7566696 Fax: 0870 7566697 Email: info@lcpensions.com Web: www.lcpensions.com