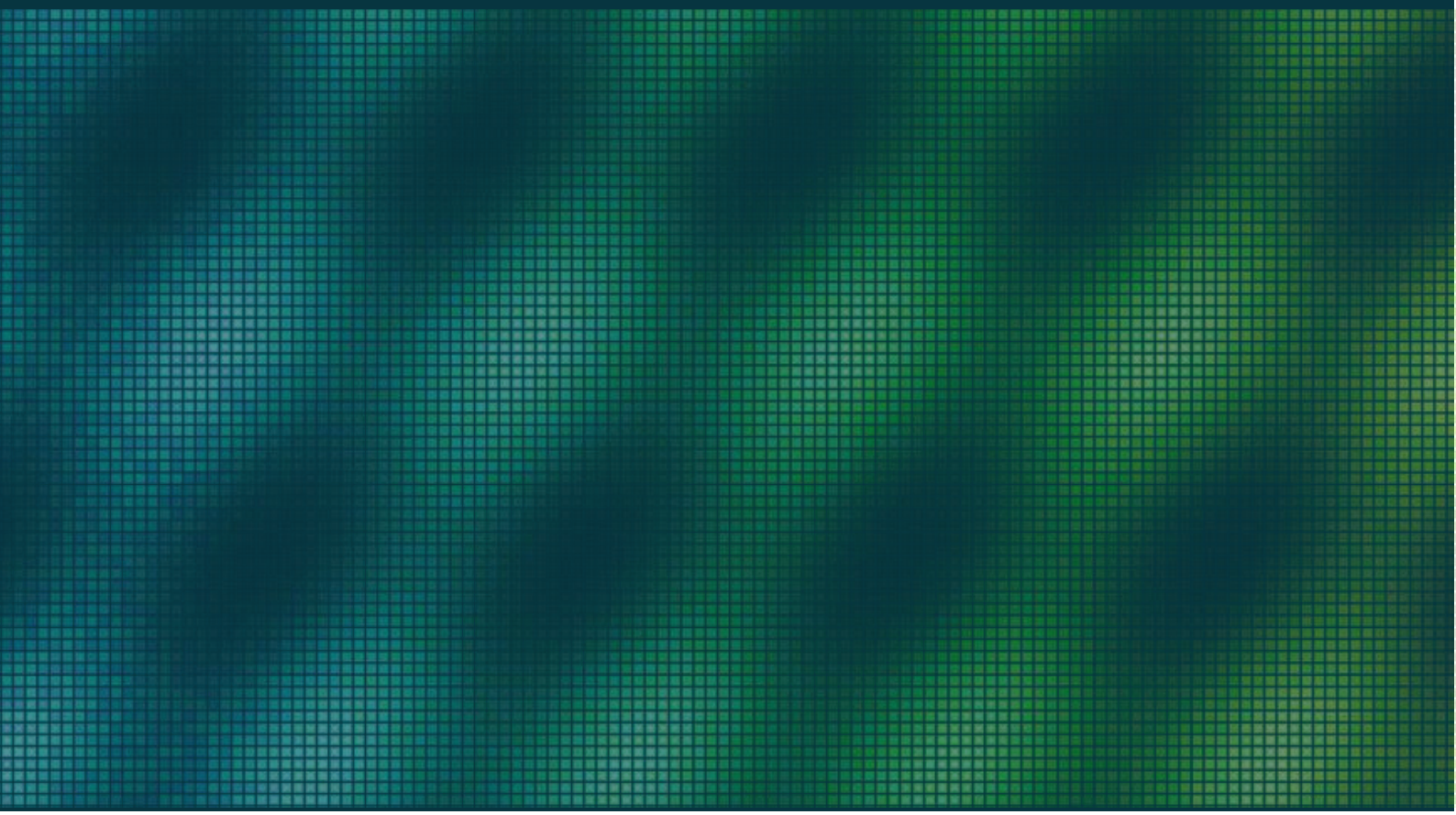


FACTSHEET TWO

How to purchase a commercial property using a SIPP or SSAS

For professional advisers only

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How to purchase a commercial property using a SIPP or SSAS

Using a SIPP or SSAS to purchase commercial property is a tax efficient and useful way to build a pension fund. There is often some mystery around the process, so here is a simple step by step guide to who is involved, how long it can typically take and what is required

Who is involved?

- The client – This can be an individual member or multiple members forming a syndicate SIPP with funds pooled.
- The adviser – Will advise on the suitability of any transfer, contributions and the property investment. They will coordinate the initial pre-application steps with full support from their @sipp BDM.
- Solicitor – Will represent the SIPP/SSAS and ensure the transfer of good title to the pension fund. They will also prepare a lease for the use of the property. Another solicitor will represent the seller and tenant
- Surveyor – All commercial property investments require a valuation/survey. This is required to be from a RICS member and a member of the RICS Valuation Registration Scheme.
- Lender (where applicable) – lending should be sourced by the adviser
- @sipp (the SIPP/SSAS provider) – On receipt of the application, we then coordinate and liaise with all parties to completion. We then work with the adviser and client to provide seamless management of the property investment and other aspects of the client's pension assets.
- Tenant – will occupy the property from the purchase date, under a formal lease. But in advance of the purchase, will have had to agree to the lease terms.
- Property Manager – will inspect, manage and superintend the property from the purchase date, under a formal property management agreement. The SIPP member or a professional property management firm can undertake this role. But in advance of the purchase, will have to agree to the property management terms.

The process

We do have to follow the pension rules that are driven by HMRC tax legislation. Commercial property is permitted but generally a SIPP or SSAS cannot hold residential property without triggering penal tax charges. As with any SIPP or SSAS investment, the motivation should be maximising returns (subject to an acceptable degree of risk) for the pension scheme. So, for any property proposal to be approved, it needs to have a viable investment case. Any dealings with connected parties (e.g. the seller or the

Step 1 – SIPP/SSAS* establishment.
We create the SIPP or SSAS and when ready fund it through transfers from existing pension funds (via Origo where possible) and/or contributions/additional borrowing from a lender.

Step 2 – Legal work.
The SIPP/SSAS then appoints the client's chosen solicitor. They represent the SIPP and follow our instructions from an appointment letter detailing the requirements.

Step 3 – Purchase completes.
On completion of the title transfer, the SIPP/SSAS sends the agreed price in cash, via the solicitor, to the seller.

Step 4 – Settlement of costs.
Any professional costs such as legal fees, surveyor fees, adviser remuneration, taxes and SIPP/SSAS costs are settled from the pension fund.

Step 5 – Onward management of the property as an investment.
Now the property purchase has completed, the solicitor prepares a lease between the tenant (connected or unconnected third party) and the SIPP/SSAS. The tenant now pays rental income to the SIPP, which can be recycled into additional assets in the SIPP or SSAS.

*SSAS applications can take longer as a new pension trust/scheme must be created and registered with HMRC

How long will a typical purchase take?

Lots of factors can affect how long a purchase will take. Ultimately, the more complicated it is, the longer it will last.

The key things to note are:

1. It is a legal process – the various solicitors involved will drive the pace of the transaction

2. If borrowing is involved, the time associated with the lender's processes will also impact the overall time needed

3. Preparation is the key! – The more we can do to address all key points, arrange a valuation, and resolve queries at the earliest opportunity, the smoother the process will be

We typically suggest 12-16 weeks for a typical purchase. Though some can take longer or less time than this.

The Financial Adviser perspective – What must I obtain from my client to make this work?

No two commercial property purchases are the same, and the devil is in the detail.

Some of the key points to consider and identify include:

VAT

is the property opted to/subject to tax?

Property title

Is this a freehold or leasehold title?

Who is the owner?
Is the property owned by your client or an unconnected third party?

Timescales

Do we have a deadline to consider?

Funding
How will the client fund the purchase and associated costs? Will there be a shortfall to address?

Development
Does the property need work carried out? Are there any plans to develop or expand

Introducing the @sipp Business Development Team

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