



The  
**GPC SIPP**  
Providing Pension Trustee & Administration  
Services for Self-Administered Pensions

# Property Guide

## SIPP and SSAS

(Version MAY/18)

**Important Note:**

**This Property Guide forms part of the Property Questionnaire. By completing and signing the Property Questionnaire, you confirm that you have read and understood this Property Guide and agree to be bound by its terms.**

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### **16. SUMMARY**

## 1. Introduction

It is possible for a Self Invested Personal Pension Plan (SIPP) or a Small Self Administered Scheme (SSAS) to purchase commercial property (subject to HM Revenue and Custom rules).

This Property Guide aims to provide a clear and easy guide to the process of transacting property through a SIPP or SSAS by way of either a purchase or transfer. For simplicity, and ease of reading, the rest of this guide refers only to SIPP (but it applies equally to SSAS, unless otherwise stated).

The guide explains the main rules relating to the transaction and breaks the process down into the main components. For each of these components, we set out what documentation is required to complete the purchase or transfer.

If you have any queries, you should contact your independent financial adviser, or contact GPC SIPP Ltd on 01254 660333 (e-mail: [info@gpcsipp.co.uk](mailto:info@gpcsipp.co.uk)).

## 2. GPC SIPP LTD

GPC SIPP Ltd was established in 2005. Our aim is to provide a friendly, efficient and professional service to our clients and to guide our clients and their adviser's through the immense possibilities offered by Self Invested Pensions. Unlike some SIPP's, the GPC SIPP is a True SIPP, offering the full range of investments available, subject to HMRC rules.

During the progress of a property transaction GPC SIPP Ltd will:

- Review the Property Purchase/Transfer proposal and confirm acceptability
- Liaise with all relevant parties (e.g. solicitor, surveyors, lender, property manager)
- Review all relevant documentation (e.g. surveys, leases, facility letters)
- Provide technical guidance throughout the process
- Project manage the process to completion
- Decide if any contamination reports are required

## 3. Property Purchase

The main factors which should be taken into account when considering a property purchase within a SIPP are noted below.

- The SIPP can be used to purchase freehold or leasehold commercial property. A SIPP cannot purchase residential property.
- The SIPP can only be used to purchase land and buildings; it cannot purchase moveable fittings.
- The SIPP can be used to fund the development of a property. In such cases, GPC SIPP will need to be advised of the details of the development and GPC SIPP's approval must be given before any work proceeds. GPC SIPP's liability in respect of the development will be limited to the assets within the member's SIPP.
- Since April 2006 a property can be purchased from or sold to a member, or a person or business connected with the member.
- The member should not enter into any contract for the purchase of a property within the SIPP before gaining approval from GPC SIPP Ltd.
- The property must not have any conditions or liabilities attaching to it which make the property an unsound investment. Such a property would be an unacceptable investment for the member's SIPP.
- GPC SIPP Ltd will need to review any environmental issues which arise as a result of comments made by the surveyor or the solicitor, for example the presence of in the past or present of Japanese knotweed.

#### 4. The Process

Every property purchase transaction is different. However a brief outline of the normal process is outlined below.



## **5. Solicitor**

### **Appointing a Solicitor**

The following points should be noted in respect of the appointment of a solicitor.

- Whilst it is possible for the member to nominate any qualified solicitor, GPC SIPP Ltd recommends the use of a solicitor experienced in SIPP property transactions. In GPC SIPP Ltd experience not all solicitors are familiar with the purchase of property by a SIPP. The use of a solicitor without sufficient understanding of the process can cause delays and can be costly.
- In the event that a member elects not to use our preferred solicitor, GPC SIPP Ltd will charge an additional fee to cover the additional work that is involved.
- GPC SIPP Ltd reserves the right to decline to purchase the property if the solicitor nominated by the member is deemed unsuitable. The importance of using a solicitor experienced in SIPP property purchase should not be underestimated.
- The nominated solicitor's details should be entered on the Property Questionnaire.
- GPC SIPP Ltd will contact the solicitor directly and liaise as necessary until completion.
- It should be noted that the solicitor is appointed to act on behalf of The Trustees of the GPC SIPP (i.e. Guardian Pension Trustees Ltd RE: MEMBER NAME) in respect of the property purchase, not the individual member. However, the same solicitor may also represent the member in his capacity as tenant of the property.

### **Instructing the Solicitor**

When we instruct the solicitor, we shall forward the following documentation to them:

- Instruction letter
- Copy of the completed Property Questionnaire
- Draft Property Management Agreement (if required)
- Draft Declaration of Trust & Option Agreement (if joint property purchase – SIPP Only)
- Trust deed (SSAS only)
- Supplemental Deed (SIPP only)

## **6. Surveyors**

### **Appointing a Surveyor**

The following points should be noted in respect of the appointment of a surveyor.

- The surveyor must be either ARICS or FRICS qualified.
- If no borrowing is required, the surveyor's details should be entered on the Property Questionnaire. The member should contact the surveyor directly to arrange the property valuation.
- Where borrowing is required, the surveyor will be appointed by the Lender, who will thereafter forward the valuation report to GPC SIPP Ltd.

### **Content of the Survey**

The Survey Report should specifically identify the following:

- The open market purchase value of the property, the open market rental value and the reinstatement value (to include professional fees and site clearance costs) for insurance purposes.
- Any matters which should be specifically provided for in the title such as access, services, common property and its maintenance.
- The presence of any Composite Panelling (e.g. Asbestos) in the property.
- Any changes of use, erections, alterations or demolitions for which there should be statutory or title consents.
- Any potential contamination issues

## **7. Borrowings**

### **Primary Restrictions**

A member's SIPP may borrow to assist in financing a property purchase and development. The main conditions for such borrowing are shown below.

- Borrowing can only be used to fund the purchase and development of commercial property.
- The maximum that can be borrowed is restricted to 50% of the funds net assets (less any existing borrowings).
- The rental income produced by the property must exceed the loan repayments (including capital and interest).
- Where a number of members are buying property together, each member may borrow a maximum of 50% of their own fund's net assets.
- The total amount of borrowing will ultimately be determined by the lending institution used.
- The loan is made to The GPC SIPP Re: Member Name, not to the member.
- The loan can only be secured against the assets of the member's SIPP, including the property.
- The Lender is given First Legal Charge on the property as security. GPC SIPP Ltd and Guardian Pension Trustees Ltd include a Limitation of Liability clause in all documentation, which limits its liability to the value of assets held by the member's SIPP account.
- Any loan must be repaid when the property is sold.
- Loans should in general be taken out on an interest and capital repayment basis.

### **Appropriate Lenders**

The loan must be provided to the SIPP on commercial terms. GPC SIPP Ltd has agreed loan documentation with Royal Bank of Scotland/Natwest who are our preferred lenders (although we are happy to agree loans from other lenders subject to the provision of satisfactory documentation).

### **Loan Repayments**

GPC SIPP Ltd will arrange for the appropriate amounts to be paid to the lender from the SIPP bank account. Subject to there being sufficient funds available within the SIPP account, loan repayments will continue to be made even if rent is not being collected (e.g. due to refurbishment). In the event that insufficient funds are available in the SIPP account to meet the loan payments when they become due, the Lender would be entitled to realise their security and sell the property to repay the mortgage. For this reason we ask that funds totalling three months' rent should be available in the SIPP Bank Account.

### **Lender's Documentation**

GPC SIPP requires the following documentation from a Lender:

- Facility Letter
- Legal Charge

If the surveyor's valuation report is addressed to the Lender and not GPC SIPP Ltd, then we shall require a letter from the surveyor which will allow GPC SIPP to rely on the surveyor's report.

## 8. Building work and refurbishment

Building work and refurbishments are permitted for properties transacted through a SIPP. However there are a number of restrictions which apply, as follows:

- Guardian Pension Trustees Ltd are the legal owners of the property and, as such, refurbishments cannot commence until full plans, costing's and details of how the work is to be funded have been agreed by them.
- The work must be carried out on commercial terms, and is required to result in a genuine increase in the value of the property.
- There must be sufficient funds available from the member's SIPP account and/or the lender to pay invoices as they become due.
- Where refurbishments are carried out on an existing property, The GPC SIPP will only pay for items that are intended to bring the property up to a suitable standard for re-letting. GPC SIPP will not approve costs which are not genuine refurbishments or which do not enhance the value of the property.
- Invoices must be addressed to The Trustees of The GPC SIPP Re: (MEMBER NAME), Guardian House, Capricorn Park, Blakewater Road, Blackburn, BB1 5QR and (where relevant) contain a tax point and VAT registration number (the VAT amount should be separately identified on the invoice).
- Certified copies of Construction Industry Scheme (CIS) certificates must be provided by all contractors and subcontractors.
- If a member is to lease the property to their own business, the business must not, as a tenant of the property, undertake any material enhancements to the property.
- Any building contracts are required to include GPC SIPP's Limitation of Liability clause.

## 9. Value Added Tax (VAT) on property purchase

**We strongly recommend that VAT advice is obtained from a suitably qualified individual IN ALL CASES. GPC SIPP Ltd does not and cannot provide VAT advice. The following information is intended as a general guide ONLY and you should not act on, or fail to act on, the information provided.**

### VAT on Property Purchase

VAT will be payable by a SIPP on the purchase of the property if:

- Construction of the property was completed less than five years ago  
or
- The Vendors of the property have previously opted to tax the property (the effect of opting a property for VAT is considered below).

### The Effects of Opting a Property for VAT

If a property is opted for VAT it means that:

- The member can reclaim the VAT paid on the purchase price and any associated costs including solicitors' and surveyors' fees and any further invoices paid by The GPC SIPP relating to the property.
- VAT can also be reclaimed on any refurbishments which are funded through the SIPP
- VAT will be charged on the property's rental income (if the tenant is registered for VAT they may be able to reclaim this)
- When the property is sold, VAT will be charged on the sale price.

## Notifying GPC SIPP LTD of a Decision to Opt a Property

A member may decide to opt a property for VAT when their SIPP purchases the property.

The decision to opt a property must be made prior to the completion of the purchase of that property. GPC SIPP Ltd needs to be advised as early as possible if the property is to be opted for VAT. Therefore if a member wishes to opt a property for VAT this must be notified to GPC SIPP Ltd when the Property Questionnaire is completed by the member/s. Failure to notify GPC SIPP Ltd at that point may mean that the property cannot be opted and therefore any VAT incurred on the sale or any subsequent refurbishments may be irrecoverable. It should be noted that once a property has been opted for VAT, it will remain subject to VAT for a minimum of 20 years or until sold.

## VAT Exemption of a Property

A member can choose not to opt a property for VAT. This can be done regardless of whether the previous owners had opted the property for VAT. A decision not to 'opt in' a property will mean that no VAT is chargeable by the SIPP on rentals. However, the member's SIPP account will not be able to reclaim any VAT paid in respect of the purchase price or any other associated payments funded through their SIPP, should this be due.

## Reclaiming VAT Paid on the Purchase

If VAT paid on the purchase of a property is to be reclaimed by the SIPP, the process will be as follows:

- A VAT invoice showing the vendor's VAT registration number, the tax point date and the actual VAT amount, separate from the total invoice amount, will need to be obtained from the vendor's solicitors and sent to GPC SIPP Ltd.
- All VAT claims are made by GPC SIPP when completing the scheme's VAT returns.
- The VAT paid by the member's SIPP is then repaid by HM Revenue & Customs after GPC SIPP submits the VAT claim.

## Purchasing a Going Concern

Even if a property has been opted for VAT by the vendor, it may be possible for the property to be sold without VAT being charged in circumstances where there is an 'ongoing' tenancy (ie. where the purchase can be treated as a 'transfer of going concern'). You should note that a property can only be considered to be a transfer of a going concern if the purchaser opts for VAT before the purchase commences (i.e. before any deposit is paid).

## 10. Property Management

The member will be the property manager unless a third party property manager is appointed (by the member).

### Collection of Rent

- Rent will generally be payable by the tenant(s) on a quarterly basis (if monthly payments are requested, the solicitor will need to be advised and the lease amended).
- The responsibility of collecting the rent will lie with the property manager. Where the member is the property manager, rent is received by GPC SIPP Ltd, on behalf of the member/s, from the tenant(s) by means of a standing order into the SIPP bank account. **It is the responsibility of the Property Manager to contact GPC SIPP in order to ascertain whether the rent is paid to date.**
- Payment of a rent at a commercial level must continue even after any loan has been repaid.
- In cases of non-payment, GPC SIPP Ltd is required to vigorously pursue the tenant(s) for rent arrears. GPC SIPP Ltd will utilise all legal means to recover any rent arrears.
- If the tenant and the landlord are connected and rent remains unpaid then GPC SIPP, as Scheme Administrator, has an obligation to report the non-payments to HMRC, who may impose tax charges.

### Rent Reviews



- The lease must be drafted on a commercial basis with a minimum three year term (although it will need to be longer where borrowing is required to assist the purchase).
- If the tenant and the landlord are connected (or if the lease specifies) all reviews must be carried out by a qualified surveyor to determine an appropriate commercial rent and value for the property.
- For members whose SIPP's are in Drawdown, the rent review report may be used for the purpose of the SIPP's review (to determine the maximum and minimum income drawdown limits) provided it was completed within the 12 months preceding the review and includes an open market property valuation.

## **11. Property Insurance**

GPC SIPP Ltd require all properties to have continuous building Insurance whilst being held in the SIPP. GPC SIPP Ltd will insure the property under the terms of a 'block' insurance plan (unless alternative insurance cover that is acceptable to GPC SIPP Ltd has been arranged- a copy of the certificate and any subsequent renewal documents are to be forwarded to GPC SIPP Ltd). A policy summary is available on request. The cost of this insurance is paid by the tenant or is deducted from the member's SIPP account. Any variation to the above requires written consent from GPC SIPP Ltd. Any additional insurance, which is agreed to be the responsibility of the tenant, will be detailed in the lease.

## **12. SIPP Liquidity**

A SIPP is often liable to meet a number of ongoing liabilities relating to the purchase and running of the property. These liabilities could include loan repayments, VAT on rental income and insurance costs. The SIPP would be liable to pay these costs even if the tenant defaults on the rental payment. Therefore, to ensure that there is always sufficient cash within the SIPP to meet these liabilities, GPC SIPP Ltd ordinarily requires that each SIPP (that has been used to purchase property) has a cash balance equivalent to at least 3 months rent within the SIPP at all times. While GPC SIPP Ltd consider that it is desirable to have this level of liquidity in each property SIPP, the Trustees will, if requested, consider the appropriate level of liquidity in each individual case.

## **13. GPC SIPP Ltd Fees**

All fees charged by GPC SIPP Ltd will be in line with our schedule of fees, a copy of which can be viewed on our website ([www.gpcsipp.co.uk](http://www.gpcsipp.co.uk)) or can be obtained by calling 01254 660333. All fees will be deducted from the member's SIPP account when they fall due. For the avoidance of doubt, GPC SIPP Ltd may charge a fee for any non-standard administration. The member will be advised of the charge.

**If a transaction is aborted there may still be a requirement to pay fees to those parties involved in the transaction. In addition, we reserve the right to charge a fee if the transaction aborts when we have undertaken work on the transaction.**

## **14. Leasehold Property Purchase**

GPC SIPP members are permitted to purchase freehold and leasehold properties. However, for leasehold cases, we will require the satisfactory incorporation of Limitation of Liability clauses into documentation. This will be in addition to our standard property purchase requirements.

Limitation of Liability will take the form of:

- For existing leases, the landlord (and any superior landlords, including the freeholder of the property) will need to execute, at completion, a Deed of Variation limiting GPC SIPP Ltd and Guardian Pension Trustees Limited liability to the value of the SIPP assets.
- For new leases, the vendor must agree to the inclusion of GPC SIPP Ltd standard 'Limitation of Liability' clause in the new lease.

## 15. Documentation required

GPC SIPP Ltd requires the following documentation for all property related SIPPs.

### Setting up a GPC SIPP

- GPC SIPP Application Form
- Money Laundering Form
- Transfer details and/or Contributions
- Supplemental Deed
- Property Questionnaire for each property

### 'In Specie' Transfers

In addition to the foregoing documentation, for in specie transfers (either from SSAS or from another SIPP) GPC SIPP Ltd will require the following items:

- Signed authority from the member for Guardian Pension Trustees Ltd to deal direct with the transferring scheme administrator. (i.e. Authority Letter)
- A copy of the form of discharge (or equivalent) from the ceding scheme, confirming the client's intention to transfer from the existing SIPP/SSAS.
- A schedule of assets to be transferred, including valuations, telephone numbers and contact names/addresses for each transfer.

### Exchange of Contracts

GPC SIPP Ltd will only be able to exchange contracts when all of the following have been received:

#### From the Lender:

- The agreed Facility Letter
- The Legal Charge

#### From the Solicitor:

- Signed copy of the duplicate letter of instruction
- Report on Title (factors affecting the property such as existing leases and environmental issues)
- Approved versions of the following documents:
  - a) Transfer Deeds
  - b) Long Lease (for leasehold properties)
  - c) Occupational lease (all properties)
  - d) Deed of Variation (for purchases of existing leaseholds)
- The final form of documents for execution once approved.
- Legal advice

#### From the Surveyor:

The Valuation Report confirming the property's open market value, rental value of the property and its reinstatement value. The report can be addressed either to GPC SIPP Ltd or can be addressed to the lender provided GPC SIPP Ltd receives a letter from the surveyor which will allow GPC SIPP Ltd to rely on the surveyor's report.

### Completion

The following documents will be required at completion:

- Executed Deed of Transfer
- Executed Long Lease (for new Leasehold properties only)
- Executed Occupational Lease (for all properties unless there is an existing lease)
- Executed Deed of Variation (for existing leasehold properties only)

- Signed Joint Agreement (for properties being purchased between two or more members)
- Executed Legal Charge (if borrowing is involved)
- Copy of signed loan agreements (if applicable)

## 16. Summary

1. You, as the Trustee Member are to submit a completed Property Questionnaire and all supporting documentation, including a valuation report. The independent valuation will confirm the market value of the property, any contamination issues and the current usage of the property.
2. GPC SIPP Ltd will oversee the purchase, check all documentation and liaise with all parties involved.
3. Although GPC SIPP Ltd will offer their guidance on the purchase, the member is ultimately responsible to ensure sufficient funds are available in the designated trustee bank account from contributions and transfer payments and, if required, that a borrowing facility is in place sufficient to cover the purchase price and expenses.
4. Any tenant of a SIPP property owned by the Trustees of the scheme, will pay rent to the scheme in line with the lease.
5. If the property is being leased to a connected party e.g. the member's own company (or anyone connected to the member), the rental value due to the scheme will need to be independently assessed by a valuer and GPC SIPP Ltd will require a copy of the valuation report for their records. The report must be addressed to the Trustees of the scheme i.e. The Trustees of GPC SIPP RE: Member's Full Name.
  - a. A standing order will be established in respect of the rental payments from the tenant's bank account to the scheme bank account from the day of completion.
  - b. The Trustees should ensure that the loan can be serviced; the rental income should cover any loan repayments.
6. A commercial lease must be drawn up between the Trustees and the tenant of the property. This should be a full repairing and insuring lease on terms suitable for the type of property involved. GPC SIPP Ltd does not specify a term in respect of the lease but the lender may i.e. they may insist that the lease covers the term of the loan.
7. Buildings insurance needs to be arranged on completion of the property purchase. If we do not receive a copy of your building insurance on, or before, the completion date then we will add you to GPC SIPP's block policy. Payment in respect of the insurance premium will be deducted from the scheme bank account.
8. It is the member's responsibility to investigate whether the property is subject to VAT and to advise GPC SIPP Ltd accordingly.
9. GPC SIPP Ltd charges a fee in respect of the property purchase and, if applicable, lending (please refer to our current fee schedule). This fee does not include solicitor's fees & disbursements. We reserve the right to charge an additional fee if we deem the work involved to be over and above that which we would normally expect. Any additional fees will be notified to you.
10. If the property being purchased is already owned by the member, or the member's company, the transaction may create a Capital Gains Tax charge. Please refer to your accountant for further details.
11. On the purchase of a property by the SIPP, stamp duty needs to be taken in to consideration as this will be due and payable by the scheme. If the property is subject to VAT, stamp duty is due on the purchase price, including VAT.

12. Our preferred solicitor is Forbes in Blackburn. You are not obligated to use their services but GPC SIPP Ltd does charge a reduced fee if this option is chosen. GPC SIPP Ltd do not receive a commission from Forbes, we simply request a competitive fee based on the volume of work that we refer to them.
13. Our preferred lender is The Royal Bank of Scotland as they operate their own specialist SIPP unit and have a good working knowledge of the issues involved with SIPP property purchase.

#### **Contact Details**

If you should have any queries regarding your property purchase or a potential property purchase, please contact us and we will be more than happy to discuss this with you. Our contact details are:

GPC SIPP Ltd  
Guardian House  
Capricorn Park  
Blake water Road  
Blackburn  
BB1 5QR

Tel: 01254 660333

Fax: 01254 268531

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