

Options SSAS Limited Commercial Property Purchase

Information Leaflet

Commercial property purchase

Investing in commercial property through a SSAS is a popular choice. Using the pension scheme to purchase commercial property or land offers many benefits.

Property should generally be viewed by the trustees as a long-term investment, and they should maintain sufficient liquidity to secure member benefits as they fall due.

Key benefits can include:

- contributions to the pension scheme benefit from tax relief and can be used to purchase the property;
- any increase in property value is exempt from capital gains tax;
- the pension scheme receives open market rent;
- all rent from tenants is received gross and free from income tax;
- tenants can treat rental income as a business expense for tax purposes, reducing their income and corporation tax liability;
- the property is excluded from each members estate for inheritance tax purposes;
- capital is released back to the business when the property is purchased from it, aiding cash flow;
- there is an opportunity to borrow funds for the purchase and development of the property;
- once the mortgage is paid off, ongoing rent and contributions can continue to build the retirement fund for other investments or retirement benefits;
- the property may not need to be sold, as continuing income could cover pension payments; and
- if the business fails, the property is protected from creditors.

Whilst property investment in pensions can be complex, we have a dedicated team of property experts available to support you with any questions you may have.

Examples of commercial UK property types we can consider are:

- offices & shops
- warehouses & factory units
- Agricultural land and forestry
- Development land
- Vocational practices such as legal firms, financial, medical etc



All proposals will be individually assessed prior to purchase and a solicitor must be appointed by the trustees to carry out the legal work.

We are unable to accept direct ownership in residential property due to current UK pension rules. Types of residential property includes but are not limited to:

- Houses and apartments
- Residential ground rents
- Holiday homes, timeshares and villas
- Residential buy to lets

Some residential property may be acceptable if it is used for employment or business purposes such as a caretaker's home. This area is restrictive and will be reviewed on a case-by-case basis.

Transfers and contributions

You may be able to transfer in your other pensions and make additional contributions. We can accept a property transfer in-specie from another pension scheme (subject to meeting our property acceptance criteria) and any such transfer is not normally subject to stamp duty land tax.

Borrowing

The trustees can borrow up to 50% of the SSASs net asset value, including any borrowing for VAT purposes within this limit. It is essential to ensure that borrowing repayments can be covered by the SSAS through liquid assets and/or rental income.

A SSAS can borrow money from a high street bank, company, or individual (including connected parties).

For any borrowing, we require evidence that the loan interest and agreed loan term are “on commercial terms.” You or your financial adviser should provide proof of the interest rate that the SSAS will pay.



VAT

Where a property is VAT elected, VAT may be payable on purchase but can generally be reclaimed. VAT must be charged on the rent and sale of property. We are not VAT experts but do offer an execution only service in this regard. Alternatively, the trustees may wish to formally appoint their own VAT professional.

Insurance

All properties must have appropriate levels of commercial property insurance in place prior to any transaction being completed. It is essential that the property is insured for the full reinstatement value and not just the market value.

Property valuation

For all properties, we will require a full survey and valuation report from a RICS registered surveyor, regardless of who we are dealing with. When transacting with a connected party, the price paid and rent charged must align exactly with the amounts stated in the report. A full reinstatement value is also required for insurance purposes.

We will also require ongoing valuations triggered by certain events, such as lease renewals, member transfers, benefit commencements etc.



Environmental/Energy Performance Certificate/Asbestos (and other) searches & reports

Before agreeing to any purchase, we do insist on there being a clean environmental and flood risk report prior to exchange. We also need a full report on title from the appointed solicitor to confirm the trustees will receive good marketable title and receive the asbestos/energy performance certificate/Fire Risk Assessments/Gas Safety, NICEIC reports prior to exchange.

Green initiatives

We are aware of the Government’s published aims towards Greener energy, albeit currently ownership by a pension scheme of solar panels and wind turbines can be subject to tax. In the case of solar panels, there are some exceptions, and we will consider these on a case by case basis.

Who's involved

- Trustees & Scheme Administrator
- Solicitor
- Professional advisers (optional)
- Property & environmental surveyors
- Lender (if applicable)
- Professional property management company (if applicable)

All parties must be formally appointed by the trustees.

Timescales and costs

Typical timescales are 8-12 weeks from the date a solicitor is appointed to completion, however, some transactions can take considerably longer. Our standard charges are detailed on our Fee Schedule. All of the usual 3rd professional costs i.e., legal fees, valuation fee, lender fees, lender security valuation fee and their legal fees and disbursements will be payable by the pension scheme (including Stamp Duty Land Tax).

Property management

We do not provide property management services. The member trustees will either need to self-manage or formerly appoint a third party property manager.

Contact

For further information please contact your administrator or call 029 20557000 – email: optionspremierssas@optionspensions.co.uk.



PART OF



GROUP PLC

FOR MORE INFORMATION PLEASE CONTACT

OPTIONS SSAS LIMITED

2nd Floor Fitzalan House,
Fitzalan Court,
Fitzalan Road,
Cardiff CF24 0EL.

T: 02920557000

optionsssas@optionspensions.co.uk

Options SSAS Limited, company number 01230550. Registered in England and Wales: 1st Floor Lakeside House, Shirwell Crescent, Furzton Lake, Milton Keynes, Buckinghamshire, MK4 1GA.