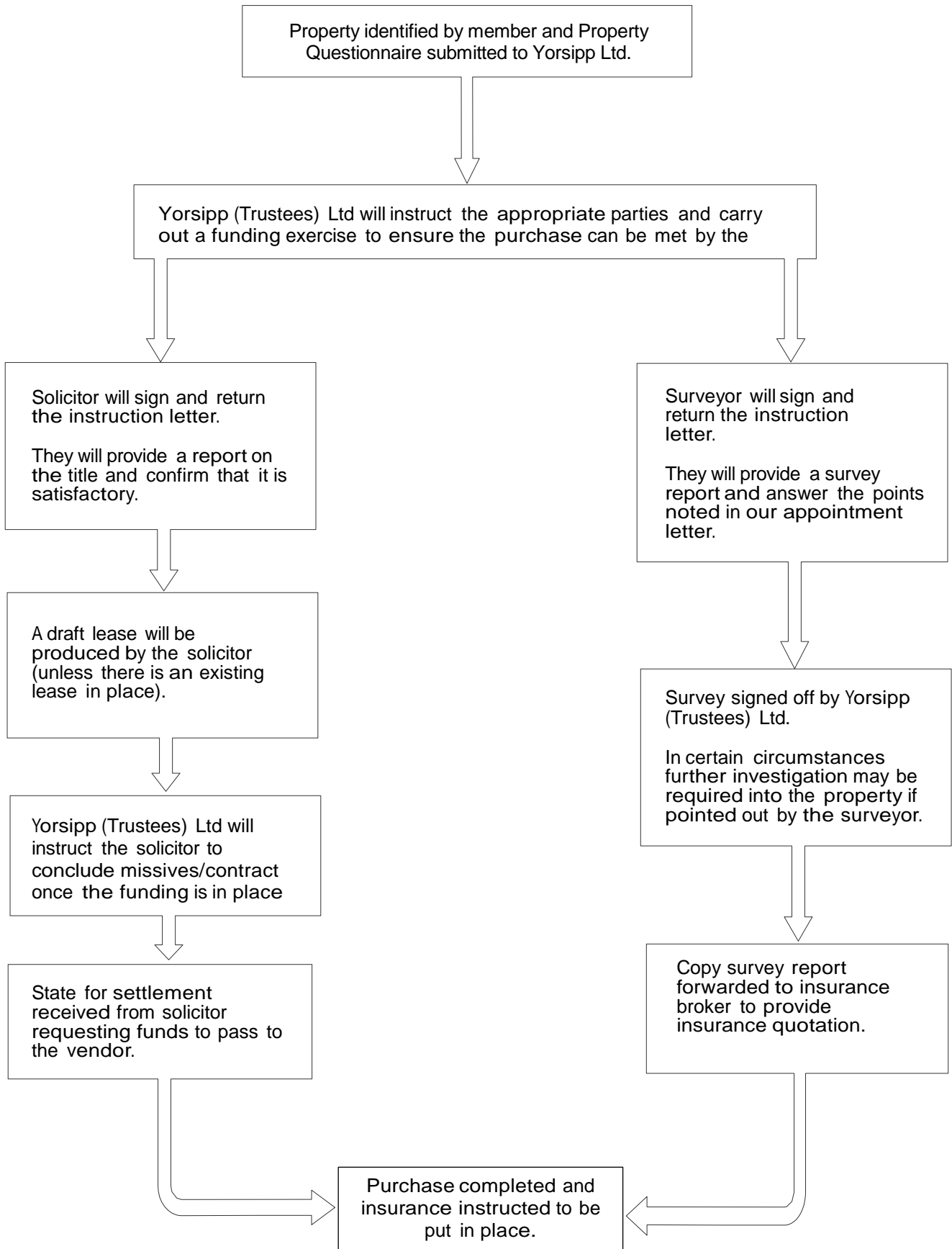


Property Purchase Guide

Property Purchase Flow Chart



Introduction

One of the main attractions of a Self Invested Personal Pension is the ability to purchase Commercial Property. This in turn allows the property to be leased to the member, their business or any other party (including connected persons).

Among those Commercial Properties permitted are:

Offices

Industrial Units

Shops

Hotels

Nursing Homes

Of the above, these can be either Freehold (in Scotland known as ownership) or Leasehold. However, if Leasehold there must be a minimum term remaining of 50 years and no onerous conditions.

For any unusual property we will always be happy to provide guidance as to the feasibility of the purchase. Depending on the nature of the property and the work involved, we may choose not to permit the property under the Prestige Property SIPP. However it may be possible to permit it under our Full SIPP. Please contact us for details of the Full SIPP if required.

As with any investment, consideration should be given to its suitability and liquidity especially if retirement benefits are required in the near future.

Member's Role

The member may do the background preparation such as arranging finance and discussing legal matters with their chosen solicitor.

During the course of the purchase, issues may arise which the member may be required to discuss with various parties and approval given to the trustees.

The member cannot enter into any legal agreements with any party.

Residential Property

The holding of residential property other than through a genuine collective investment vehicle will result in a tax charge. Exceptions include a caretaker's flat within a larger commercial building. However, commercial property with any residential element is not permitted under the Prestige Property SIPP. We may permit such a property purchase under our Full SIPP. Please contact us for details of the Full SIPP if required.

In certain circumstances grounds associated with a member's private residence, which are owned by the SIPP, may be treated as residential.

Joint Ownership - Syndicate Ownership

It is possible for a syndicate of Yorsipp members to purchase a property. The ownership of the property held against the members records will be in direct proportion to the amount provided for the purchase.

A separate property bank account will be used in respect of the property transactions and from which payments will be made. Member's non property assets will be kept separate.

All members should consider liquidity of the property especially in the event of the death of a member, fund sharing on divorce or simply a member wishing to leave the syndicate.

Under the Prestige Property SIPP, it is a condition that all members sign a formal Multi-Member Agreement, which will be provided by Yorsipp.

Joint Ownership – Other Parties

It is possible for a SIPP to jointly own commercial property with either a connected or unconnected party, however the Prestige Property SIPP does not allow joint ownership with other parties.

If the member(s) wishes to jointly purchase a property, with any party other than other Yorsipp members, this is only possible through our Full SIPP. Please contact us for details of the Full SIPP if required.

In specie Contributions

It is possible, with Yorsipp's agreement, that in lieu of a monetary contribution, an asset can be paid over to the pension scheme which can include Commercial Property. Due to issues with HM Revenue & Customs querying or rejecting claims for tax relief, Yorsipp is not currently claiming tax relief on any in specie contributions made by SIPP members. In specie contributions from a member's employer can be accepted, and the company may be able to claim tax relief on this as if a monetary contribution had been made.

To obtain tax relief a strict procedure must be followed and Yorsipp will provide a suggested wording. Companies should seek their own tax advice as to the suitability of the wording.

Stamp Duty Land Tax (in Scotland now Land and Buildings Transaction Tax) and VAT (where applicable) is payable and must be funded by either a transfer or cash contribution.

Cash assets will also be needed for associated costs.

Solicitor

For property in Northern Ireland, Yorsipp use Wilson Nesbitt Solicitors, a leading specialist solicitor in the SIPP and SSAS field carrying out transactions in Northern Ireland. Details of the firm are contained in the Schedule attached.

For property in the rest of the United Kingdom, Yorsipp uses Morton Fraser LLP, a leading specialist solicitor in the SIPP and SSAS field carrying our transactions across the United Kingdom and details of the firm are contained in the Schedule attached.

If the member(s) wishes to select a different solicitor to act on the scheme's behalf, this is only available through our Full SIPP. Please contact us for details of the Full SIPP if required.

Although the member may discuss issues with the solicitor they do not have the authority to give any instructions on Yorsipp's behalf.

Yorsipp shall instruct the solicitor with a formal instruction letter detailing the requirements of the Trustees. The solicitor shall confirm the acceptance of appointment by returning one copy of the letter duly executed.

Where the member wishes the same solicitor firm to act for both the Vendor and the Purchaser, this may require the solicitor firm to seek Law Society approval. The member should clarify this prior to submitting the Property Questionnaire.

The solicitor will check the property Title and carry out the necessary conveyancing requirements. If a new Lease is required, Yorsipp shall provide a draft standard Lease. If an existing Lease is in place, the solicitor shall exhibit a Lease report for approval.

On completion, the solicitor shall forward the Transfer Deed (in Scotland known as the Disposition) and Lease for registration. The property will be held in the name of Yorsipp (Trustees) Ltd as trustee for the time being of the pension scheme on behalf of *member name(s) and member reference(s)*.

Surveyor

For property in Northern Ireland, Yorsipp uses McQuoids Chartered Surveyors.

For property in the rest of the United Kingdom, Yorsipp uses J & E Shepherd Chartered Surveyors.

If the member(s) wishes to select a different surveyor, this is only available through our Full SIPP. Please contact us for details of the Full SIPP if required.

Environmental Issues

Yorsipp maintains an account with a specialist provider of desktop surveys. Should Yorsipp feel that an additional survey is required, this will be instructed without any further agreement. Where the cost exceeds £100 the member will be notified in advance.

If the information from the surveyor or the desktop survey requires further investigation, the member will be notified and written consent sought before further investigation will be carried out. If necessary, Yorsipp will instruct an Environmental report.

Borrowing

The Prestige Property SIPP does not permit borrowing to assist with the purchase of a property. If the member(s) wishes to use borrowing to assist in a property purchase, this is only available through our Full SIPP. Please contact us for details of the Full SIPP if required.

Value Added Tax (VAT)

VAT may be payable on a property purchase and the funding of this should be considered.

The member may instruct Yorsipp (Trustees) Ltd to elect to waive exemption of VAT (or Opt to Tax). This will mean that VAT can be reclaimed on the purchase price (if elected prior to the property being purchased) and associated costs (upon receipt of the appropriate VAT invoices).

VAT can be reclaimed on refurbishment costs (upon receipt of the appropriate VAT invoice). VAT will be charged on the rent and any invoices issued by Yorsipp (Trustees) Ltd.

When the property is sold, VAT will be charged on the sale price.

The member must inform Yorsipp (Trustees) Ltd to elect to waive exemption of VAT (or Opt to Tax) before the completion of the purchase. This must be done at the time of completing the property questionnaire or by a separate written instruction.

Independent tax advice should be sought to ensure the correct decision is made.

Once a property has been elected to waive exemption of VAT the property will remain elected for 20 years (while still held by Yorsipp (Trustees) Ltd).

Reclaiming VAT

To reclaim VAT on the purchase and any subsequent costs the following will be required:

VAT invoice addressed to Yorsipp (Trustees) Ltd, Eadie House, 74 Kirkintilloch Road, Bishopbriggs, Glasgow, G64 2AH. The invoice must include the invoicing company's VAT registration number, the tax point date and a breakdown of the net and VAT amounts.

VAT returns are made by Yorsipp (Trustees) Ltd on a quarterly basis.

Transfer of a Going Concern (TOGC)

If a property has been elected to waive exemption for VAT and the current lease is continuing then the property may be classed as a Transfer of a Going Concern (or TOGC). The member should note that a property could only be considered to be a TOGC if Yorsipp (Trustees) Ltd elects to waive exemption before the purchase of the property has completed.

Independent tax advice should be sought to ensure the transaction can be treated as a TOGC. We will ask the solicitor acting on Yorsipp's behalf to exhibit evidence that the conditions of a TOGC have been met.

Stamp Duty Land Tax / Land and Buildings Transaction Tax (SDLT/LBTT)

All commercial property transactions in England, Wales and Northern Ireland where the total paid (the purchase price plus any VAT) is in excess of £150,000 will be subject to SDLT.

The SDLT rates* are as follows:

Total Amount Payable	SDLT Rate
£0 > £150,000	0%†
£150,001 > £250,000	1%
£250,001 > £500,000	3%
Over £500,000	4%

All commercial property transactions in Scotland where the total paid (the purchase price plus any VAT) is in excess of £150,000 will be subject to LBTT.

The LBTT rates* are as follows:

Total Amount Payable	LBTT Rate
£0 > £150,000	0%
£150,001 > £350,000	3%
Above £350,000	4.5%

*these rates are correct at the time of printing and subject to change by HM Revenue & Customs (HMRC) / Revenue Scotland.

†please refer to HMRC's website for further conditions of this level.

Property Management

Yorsipp (Trustees) Ltd will require a property management agreement with a professional agent or in some cases the member may be able to take on this role. Yorsipp reserves the right to refuse the appointment of a property agent.

The member's appointed agent should satisfy themselves with the terms of the property management agreement before the property is purchased.

Yorsipp (Trustees) Ltd will retain the responsibility for invoicing and collection of rent.

Property Insurance

All property must be insured by Yorsipp (Trustees) Ltd. All properties must be insured from the date of completion. We will provide quotes from our insurance brokers for insurance through our existing block policy.

If the member(s) wishes to select a different broker or insurer, this is only available through our Full SIPP. Please contact us for details of the Full SIPP if required.

The cost of the insurance will be paid by the SIPP however under the terms of the lease this will then be recovered from the tenant. The exception to this will be where there is a property management contract in which the responsibility falls on the property manager to arrange the buildings insurance. If reimbursement from the tenant is not received within a reasonable timeframe we will take necessary steps to make funds available which may include the auctioning of the property.

Our block insurance provides buildings insurance, property owners' liability cover of £10 million and 3 years loss of rent. The insurance will be in the name of Yorsipp (Trustees) Ltd. Where there is a property management contract in place and the responsibility falls on the property manager to arrange the buildings insurance, the requirements above should be met as far as possible, with the agreement of the property manager and their insurer.

Yorsipp must be advised immediately of any changes to occupancy of buildings and particularly if any part of a building becomes unoccupied. Similarly, you should notify us if there are any changes to your circumstances or those of the building which may increase the risk insured. If use/occupancy changes are discovered in the aftermath of a claim, it could invalidate the policy and mean cover is inoperative.

If a property is unoccupied, it will need to remain insured and the cost of this will be taken from the SIPP fund. If there are insufficient funds to meet the cost of the insurance premium, Yorsipp will take necessary steps to make funds available which may include the auctioning of the property.

Lease

There are in certain cases times when Yorsipp can take over an existing lease in place at the time of the purchase. If there is no existing lease, the solicitor appointed by Yorsipp will set this up using our standard lease. This lease is a fully repairing and insuring lease which requires the tenants to maintain the property and pay the insurance premiums. For certain types of property a non-standard lease may be required.

Where an existing lease is in place at the time of the purchase, and there are rent arrears or any other outstanding charges, Yorsipp reserve the right to refuse the property.

The tenants will also be responsible for paying, where applicable, Stamp Duty Land Tax / Land and Buildings Transaction Tax (SDLT/LBTT) on the lease and any property management fees.

The minimum term is normally 5 years.

Certain types of tenancy may require specific lease conditions and this may involve specialist solicitors.

If a tenant does not comply with the terms of the lease they risk the lease being terminated and having to vacate the property. Where the tenant is a connected party, there is also a risk of significant tax charges if the certain terms of the lease are not adhered to.

Non Domestic Rates (NDR)

These are rates payable to the local authority (in Northern Ireland the Land and Property Service) and are effectively a tax on the occupation of a non domestic property. The rates on a property are the tenant's responsibility and therefore all correspondence that relates to this matter should be dealt with by the tenant and the local authority.

Where there is no tenant, the SIPP funds must be used to cover this financial responsibility. Therefore we would expect 1 year's worth of NDR to be held within the bank account. Empty property relief can be applied for but is not guaranteed.

Utilities

All utility bills should be settled by the tenant. Invoices from the utility providers must be addressed to the tenant and sent direct to them. Yorsipp (Trustees) Ltd will not settle outstanding invoices while a tenant is in situ.

Rent

Yorsipp require the rent to be paid by standing order to ensure the regular payments are in the Trustee Bank Account on or before the due date set out in the lease.

Yorsipp will issue rental invoices directly to the tenants. Where VAT is applicable this will be included in the invoice.

Rent reviews are carried out on 3 or 5 yearly intervals. This will be detailed in the lease. Market conditions may lead to a request from a tenant for a rent concession, if we receive such a request we will advise the member. If the tenant is connected to the member, HMRC have strict guidelines on concessions.

In the event of a void and insufficient funds to meet mortgage repayments, the member may need to make additional contributions or sell non property assets. Where property is unoccupied, rates may still be charged and insurance cover will need to continue.

Where there are any arrears of rent or any outstanding property related charges, Yorsipp reserve the right to refuse to accept the property into the SIPP. Where rent arrears arise after a purchase, the tenant risks the lease being terminated and having to vacate the property. If the tenant is a connected party then there is also a risk of significant tax charges.

Refurbishment

It is possible for a SIPP to refurbish a property. For an empty building this will be reflected in the rent of the new tenant. If there is a sitting tenant, care must be taken over improvements. The lease will normally require the tenant to maintain, repair and renew as necessary. Should the work be carried out by the SIPP, it must be reflected in the rental income.

If the tenant is connected and wishes to undertake substantial improvements, care must be taken that the improvements do not add significant value to the property, beyond what the SIPP could have afforded. As a general principal, if the improvements are of a fixed and permanent nature such as building extensions, electrical wiring and air conditioning, these should be paid by the SIPP and the rent amended to reflect these improvements.

If any work is being carried out by a connected party, this must be on a fully commercial basis. To evidence this at least one further quote for the work must be obtained from an unconnected party.

All improvements must receive prior approval from Yorsipp. Where we are required to enter into contracts, they must contain a clause limiting the liability of the trustees to the assets of the member's SIPP. For major works, we will require the appointment of a suitably qualified firm to oversee the project. Depending on the scale of the refurbishment, a Project Manager may be required. All invoices related to works carried out must be addressed to Yorsipp (Trustees) Limited and paid for from the Trustee or Property account. It is not possible to reimburse members where they have paid contractors directly.

Development

The Prestige Property SIPP does not normally permit development of property. However requests will be considered on a case by case basis. Yorsipp will need to see the proposals in advance. We will require the appointment of a solicitor to ensure all permissions are sought prior to building and to review all contracts for services. A suitably qualified project manager/architect will be appointed to oversee the development and approve any payments.

Development is normally only available through our Full SIPP. Please contact us for details of the Full SIPP if required.

Sale

When the time comes for the property to be sold, this should be confirmed in writing to Yorsipp by the member and any additional joint owners of the property.

A sale to a connected party must be at arm's length and will require an up to date valuation.

We will normally instruct the firm of solicitors who acted in the purchase.

Yorsipp may opt to sell the property where there are insufficient funds in the SIPP to cover any fees or charges, whether property related or not. For example if the property is unoccupied and there are insufficient funds to cover the cost of insurance, or if Yorsipp's administration fees are outstanding.

Financial Adviser Fees

Where any fees are due to a Financial Adviser in relation to a property transaction, these will be paid after completion of the transaction.

Disclaimer

This document is for guidance and information purposes only and reflects Yorsipp Ltd and associated companies' understanding of the regulations at the time of writing.

You should not rely solely on this document when making any decisions.

Yorsipp Ltd and associated companies will not be liable for any losses resulting from the information provided in this document.

Yorsipp Ltd strongly recommends that you consult a suitable approved Financial Adviser.

Please note that Yorsipp Ltd does not give Financial or Investment advice.

Property Purchase - Cost Analysis

Pre Existing assets / Liabilities (exc cash)

Current Fund	£	-	
	£	-	
Additional Funds Available			
Transfers	£	-	
Contributions (net)	£	-	
Tax Relief	£	-	£ -
Proposed New Borrowing			
Bank			£ -
Total Cash Available			
			£ -
Property	£	-	
VAT	£	-	
Expenses			
SDLT/LBTT			
Registration Fees			
Legal Fees			
Lender Legal Fees			
Surveyor Fees			
Miscellaneous			
Yorsipp Fees			
Refurbishment			
Costs	£	-	
VAT	£	-	£ -
Total Outlay			
			£ -
Surplus/ Deficit			
			£ -

The above figures are Estimates only and should be used for guidance purposes only.

SCHEDULE

Morton Fraser has its own dedicated Property in Pensions team, one of the largest of its kind in the country which acts for a large number of SIPP, SSAS and other pension providers, structures and arrangements throughout the United Kingdom and has extensive experience in this field built up over many years.

The Property in Pensions team acts in all types of pension real estate transactions, from all aspects of property acquisition, management, leasing and disposal to funding/security models and also in relation to syndication and multi member arrangements.

Morton Fraser completes hundreds of SIPP/SSAS transactions every year delivering clear technical advice and keeping to agreed fee levels and timescales to meet the requirements of each client.

Morton Fraser is a thriving, top ten Scottish law firm delivering clear advice to businesses, the public sector, individuals and families. With over 260 people working with us, we provide highly rated legal services across the UK. Our people work from our three offices in Edinburgh, Glasgow and London advising clients throughout the UK as well as internationally.

The firm has one of the country's top rated Commercial Real Estate Divisions covering all aspects of commercial real estate work and servicing all client requirements in this sector from its bases.

Wilson Nesbitt Solicitors are a Northern Ireland based law firm with offices in Belfast and Bangor. Established in 1948 the firm currently employs over 70 members of staff. Wilson Nesbitt offer a full range of legal services to their clients and are widely regarded the market leader in property law matters consistently year on year lodging more land registry applications than any other Northern Ireland law firm.

The SIPP/SSAS team forms an integral part of the Wilson Nesbitt Commercial Property department and the firm have been acting on a wide range of SIPP/SSAS sales and purchases for over 10 years. Headed by the commercial property partner the team has recently expanded in response to a rise in SIPP/SSAS work being instructed by a range of UK pension providers and SIPP/SSAS members directly.

The firm's litigation department provides valuable assistance to the SIPP/SSAS team in areas of rent recovery, evictions and other contentious work that may arise from time to time.

The firm continues to make significant annual investment to enhance their IT systems & in-house team capacity with the aim of ensuring that their case management systems help the firm deliver an ever improving client & client customer experience.