

FACT SHEET

April 2011

MASTERSIPP AND PROPERTY

Let us show you why they call us property investment specialists.

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This factsheet is intended for information purposes only. Its contents are not to be used as legal, financial or tax advice. The tax treatment and tax benefits are based on our understanding of current tax and other legislation, and depend on a customer's individual circumstances. They may be subject to change in the future.

There are many reasons why property is becoming a popular investment within SIPP's, as well as the tax advantages available.

Below is a list of options available to your investor if they decide to purchase property using their MasterSIPP.

How does it work?

When property is to be purchased using a client's MasterSIPP an insurance component of our company, Suffolk Life Annuities Limited, becomes involved to simplify the process.

With direct SIPP purchase, the legal and beneficial title of the property is held by Suffolk Life, and this is on behalf of the investor. There are many benefits of this, which will be explained in this document.

Allowability

It is important to know that only commercial property can be purchased; significant tax charges will apply to residential properties (there are a few exceptions). Many of the acquisitions we complete involve:

- » Offices
- » Shops
- » Factories
- » Farm land

However it is not uncommon for us to deal with more unusual properties, such as bare land, football stadia, airfields and fishing lakes.

Borrowing

It is possible for the investor to borrow up to 50% of their SIPP net fund value to go towards their property purchase, significantly increasing the possibilities.

The lender can generally be of the client's choice, with the terms being worked out between the lender, the client and yourself.

Group purchase

The ability to purchase property with others has opened up a world of opportunities for many of our investors. Family, friends, business partners are all potential group purchase partners.

With group purchase, fees to be paid and rent received would be split proportionately between the investors, as per their portion of the ownership.



"Cash back"

It has been a common case lately that small to medium sized businesses are struggling in the current economic climate. One of the most common problems is a lack of cash flow to get through the difficult months. Property purchase within SIPP's can help if a business premises is already owned.

The investor would be able to 'sell' (provided there were sufficient funds in the pension) part or all of the property to their SIPP, releasing cash back to the investor to use as they wished.

Succession planning

It is possible for a SIPP-owned property to be transferred to another SIPP, i.e. a retiring business owner may wish to transfer their owned office premises to their business partner, or a son or daughter.

Providing all parties have a MasterSIPP, this transaction is possible without the need to pay stamp duty land tax or VAT – as the ownership of the property will, on paper, still lie with Suffolk Life Annuities Limited.

Rent

When a property is under SIPP ownership, the tenant must pay rent on the property, which goes to the MasterSIPP that owns it. Rent payable can be treated as a business expense for tax purposes, and would be split proportionately if there were more than one investor.

It is important rent is paid, as missed payments are potentially unauthorised payments in the eyes of HMRC, which could come with a tax charge up to 70%.

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Process

The first step is to establish a Suffolk Life MasterSIPP, if one is not already opened.

Once the SIPP is established, instructions are sent to any solicitors, valuers and banks involved. We should receive satisfactory reports and documentation from the solicitor, and will require a valuation of the property.

The loan agreement will be received from the bank and completion documents from the solicitor. Completion monies will then be sent to the solicitor along with contractual documents.

The timeline of a property acquisition can vary hugely between each application, due to many factors. Generally the timings involved will be between 4 and 12 weeks.

Things to consider

- » A market rent will have to be paid to the SIPP
- » The property will need to be valued when benefits are drawn or loans are considered – and the SIPP will incur the cost
- » There are fees to consider for property acquisition – see our Schedule of Fees at www.suffolklife.co.uk/asliterature
- » Holding a property in a SIPP may mean there is insufficient cash to pay benefits at retirement
- » Property can be illiquid if the SIPP needs to sell the property for any reason

More information

All of the above topics are highlighted in more detail in our Property Guide.

Contact ifaenquiries@suffolklife.co.uk to be sent a property pack.

If you have any queries please email the address above or call us on 0870 414 7000.

Why Suffolk Life and the MasterSIPP?

Suffolk Life was originally founded by a small group of solicitors whose intentions were to purchase their business premises using their pension funds. Decades later, investment in commercial property is one of our biggest areas of expertise.

We have a team of knowledgeable property experts, including staff qualified in surveying, soliciting and more, who are on hand to take any queries or requests.

We currently own over 2,050 commercial properties on behalf of approximately 3,600 investors.

