

Focus on SIPPs

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Much of the initial excitement that surrounded pensions reforms proposed for 6th April 2006 has diminished. With the Chancellor performing his spectacular U-turn in making residential property and other "exotic" investments untenable within pension schemes we have been concentrating on opportunities still available to clients.

Commercial property remains permissible and the right property with strong covenants and solid rental yields mean that such assets remain good investments for pension schemes.

Scheme borrowing will still be available from 6th April 2006 and from this date borrowing will be available for any purpose, not just to purchase property. Although the change in the amount of maximum permitted borrowing has caused concerns.

One aspect of the pensions reform, which hasn't received the press coverage afforded to residential property but represents a real opportunity for advisors and clients, is **the abolition of the connected party rules**.

From 6th April 2006, members will be able to transact with their pension scheme. Company Directors and Partners within professional practices with pre-owned property, will be able to sell their business premises to their pension scheme. This allows them to retain control over the business premises with the added benefit of creating liquidity for the businesses from the sale of the property.

Where a requirement for liquidity or an injection of cash flow is not required, or simply where there are insufficient monies available to acquire the pre-owned property outright, it may be possible to transfer such an asset into the members pension schemes by way of an in-specie contribution. Subject to this contribution being expressed as a monetary amount and the requisite level of earnings, tax relief may be granted, in addition, making this a very attractive alternative to outright purchase.

For those of you who have clients that are Partners of professional practices and company Directors who own their business premises, 6th April 2006 represents a business opportunity that may have been overlooked in the furore surrounding residential property.

Finally - do you have a SIPP client who is attempting to complete a property acquisition before A Day? If this tight deadline cannot be met there may be a way of securing existing gearing of up to 75%, even if completion is after A Day.

Should you wish to discuss a specific case, please contact your usual consultant or email enquiries@tmsippservices.co.uk.