

Property Purchase Process

Guidance Notes

This document is provided for use by professional advisers in conjunction with products provided by Talbot and Muir. The information in this document is based on our interpretation of the relevant HM Revenue and Customs (HMRC) guidelines, which are subject to change.

Overview

All property purchases within our Self Invested Personal Pensions (SIPPs) and Small Self-Administered Schemes (SSASs) are dealt with on a fast track basis because we have the systems and controls in place in order to process the purchase as quickly and efficiently as possible.

1. Approval of the commercial property/land

Talbot and Muir review information provided by client or adviser to ascertain whether the commercial premises/land can be held as an asset of the pension scheme.

2. Connected/Non-connected purchases

If the property is to be purchased from a connected party, such as the client themselves or their business then we must demonstrate to the satisfaction of HMRC that any such purchase takes place “at arm’s length”. In practice this means that the pension scheme will have to purchase property from a connected party for its market value, as determined by an independent valuation. The same goes for the level of rent that the pension scheme should charge a tenant with a connection to the scheme member

If the property is not connected e.g. third party vendor or buyer, a valuation is not required, and the purchase price may be negotiated.

3. Completion of forms

Property Questionnaire & Risk Warning Notice, if not already received, will be sent to client for review & completion.

4. Environmental Screening

We will instruct a company called Landmark to carry out an environmental screening report (SIPP only). The report is carried out to ensure there are no contamination issues with the premises or the surrounding area. The fee for this report can be debited from the SIPP bank account. A report is not compulsory for a SSAS as a restriction on title is placed in favour of the Independent Trustee (TM Trustees Ltd).

5. Appointment of Solicitor(s)

We will appoint our chosen solicitor to act on behalf of the Trustees of the pension scheme.

If the clients wish to use their own solicitors, we will need to appoint one of our panel solicitors to act in a 'checking capacity' which could potentially duplicate fees. We can obtain a quote on request from our solicitors. Once appointed, solicitors immediately need funds on account to submit searches (local authority, drainage etc) on the property. A proposed completion date is established.

6. Borrowing

We will appoint the chosen Lender if borrowing is required for the acquisition. We will confirm the maximum borrowing to the bank on request and liaise with them regarding the agreement & transfer of funds. (Borrowing is restricted to 50% of the net assets of the scheme).

7. Dealing with issues

The Solicitor will refer any issues to the administrator managing the SIPP in the first instance. The administrator will then liaise with the adviser or directly with the client to resolve these issues so the purchase can proceed.

8. Insurance

It is vital to ensure that the property is insured at all time, and so whilst any lease will be on a full repairing and insuring basis, so the tenant is liable for the insurance costs, any un-let property must be insured by you.

Neither the TM Trustees Limited nor Talbot and Muir are in any way responsible for arranging property insurance or renewing existing insurance cover. Property insurance is arranged via a block insurance policy which is on a market leading wording, and matches the requirements set out by TM Trustees Limited.

This insurance arrangement is not mandatory but if you do wish to make your own insurance arrangements there will be an additional charge of £150 plus VAT per annum. This is to cover the administration costs for reviewing the alternate cover you have arranged to ensure it meets our minimum criteria. We reserve the right to delay the exchange of contracts on the purchase until such time that we are satisfied with the policy wording.

The minimum criteria for any insurance arrangement is as follows:

- £10 million property owners liability cover
- 36 months loss of rent cover
- Terrorism cover
- No core exclusions are included in the policy
- If the property is a listed building, a Royal Institute of Chartered Surveyors (RICS) valuation has been obtained to establish the reinstatement value

If you make your own insurance arrangements it is imperative that TM Trustees Limited are provided with copies of the relevant insurance schedule and written confirmation the policy is on risk as soon as possible, as well as

confirmation on an annual basis that cover has been renewed. Cover must be in place at exchange of contracts, and completion will be delayed until these documents are produced. At all times it is your responsibility to ensure that the property insurance policy remains in force.

9. Completion

We will transfer the funds at the point of completion. Bank transfers are usually completed by electronic transfer to the solicitor's bank account on the Solicitor's instruction.

10. Post completion

Once the property has completed the administrator will commence invoicing rent to the tenant as directed by the lease.

We are able to provide literature in alternative formats. For a Braille, large print, audio or E-text version of this document call us on 0115 841 5000 (or via the Typetalk service on 18001 0115 841 5000).

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