

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/SSAS 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

The property must **always** be insured. You are responsible for making sure insurance cover is in place. Often the cost of this can be passed to the tenant where there is a fully repairing and insuring lease in place. In some cases, the lease terms may confirm the tenant or freeholder (where applicable) is responsible for arranging insurance.

Neither we nor the trustee is responsible for arranging insurance or renewing existing cover. We can arrange insurance with Arthur J Gallagher & Co through a block insurance policy which is designed for commercial property and meets the trustee's requirements. If you need more details about this, please contact us.

We will receive and retain a commission payment from the insurer.

You do not have to have the block insurance. If you want to arrange your own insurance, there will be an extra charge of £150 plus VAT per year. This is to cover the administration costs for reviewing this cover, to make sure it meets our minimum conditions.

Our minimum conditions for insurance cover

- £10 million property owner's liability cover
- 36 months' loss of rent cover
- Terrorism cover
- Core perils (e.g. fire, flood and subsidence) are covered in the policy
- SIPP/SSAS is named as the policyholder (or joint policyholder where applicable)
- The total sum insured value is based on a reinstatement value as required by your chosen insurer

We have the right to delay the exchange of contracts on the purchase until we are satisfied with the wording of the policy you have taken out.

In order to meet the requirements of insurers, you must ensure that vacant property is inspected in line with their terms. For any properties insured on our block policy, vacant inspections are required on a monthly basis to ensure it's in a good state of repair and protected from intruders or damage. This could include ensuring windows and doors are secured and locked, alarms activated, combustible materials secured or removed, mains services switched off and water drained if appropriate. Please arrange a professional third party to carry out any repairs at the property if required. It might be possible to make a claim from either our insurance policy or those held by any Head Landlord, if applicable, for any damage caused. If you would like to find out more about this or are unsure about what is required, please speak with a member of our property team.

If you arrange your own insurance, you must give the trustee copies of the insurance schedule and written confirmation the policy is in place as soon as possible. You must also confirm each year that you have renewed the policy.

The property must be insured when contracts are exchanged. Completion will be delayed until you produce the insurance documents. It is your responsibility to make sure the property is insured at all times.

Please be aware, once the property has been held within the SIPP/SSAS for 3 years, where the property is insured on the block insurance policy, Reinstatement Cost Assessments (RCA's) will be undertaken 3 yearly via our chosen provider, you will be contacted by us in relation to this. These costs would be borne by your SIPP/SSAS.

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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