

Property within The Lifetime SIPP

Guidance Notes

The Optimum SIPP can be used to purchase a Commercial property such as Retail or Industrial premises, offices and land. The guidance notes are to give you some further information, however suitable financial advice must be sought before purchasing a property within a SIPP.

The Lifetime SIPP Company (Lifetime) have a contract with Hartley SAS Ltd to undertake all administration processes within The Lifetime SIPP.

The Rules

Under The Optimum SIPP the types of property which can be purchased are as follows:

- Shops*
- Industrial Units
- Offices
- Public Houses
- Land for commercial development
- Land for agricultural use
- Connected commercial and residential property as long as it is leased to the same unconnected party.
- Cares homes – for the sick, elderly or children.
- Purpose built Student halls of residence
- Prisons
- Hospitals/Hospices

The types of property which are not acceptable under a SIPP are:

- Residential property
- Holiday property
- Timeshares
- Mobile Homes and Caravans
- Beach Huts
- Commercial freehold property where the leasehold has a residential element under it.*

*if a flat is connected to the property and classed as residential, this is allowed if the lease includes the condition that an employee lives in the connected accommodation i.e. shop keeper, caretaker.

The SIPP can purchase a property from any individual or company. If the property is purchased from a Connected Party then an independent valuations must be carried out to ensure the purchase is completed as an arms length transaction.

Development

A property/land can be purchased for development purposes.

The cost of development can be paid for by the SIPP, funds permitting. Invoices should be made out to The SIPP and presented to The Lifetime SIPP for settlement.

The SIPP Trustee has the right to refuse settlement of any property invoice if they believe it does not fall within the SIPP rules.

If there is a residential element of the development then this must be sold prior to becoming habitable as the SIPP rules do not allow the holding of residential property.

The Benefits

There are many benefits of using a SIPP to purchase a property, these include:

- No capital gains tax
- Rental income is paid directly to the SIPP allowing the fund to grow
- No tax on rental income
- No tax liabilities on the SIPP when the property is sold
- In most circumstances there is no inheritance tax liability on death.
- A SIPP can borrow up to 50% of the net asset value to assist with the property purchase.

Special Purchase Vehicles

Lifetime uses a Special Purchase Vehicle (SPV) to hold a property asset on behalf of The Lifetime SIPP.

An SPV is a stand alone company set up with Companies House for each property purchase. Any assets of the company i.e. property, are then held on behalf of the relevant client's SIPP subject to the terms of a Declaration of Trust executed by the SPV and The SIPP Trustee Company Limited.

The purpose of the SPV is to:

- Protect the SIPP Member
- Protect the SIPP Trustee
- Allow joint property purchase to occur with ease

Lifetime Property Purchase process

The administration process in respect of the property purchase is completed by our third party administration company Hartley SAS Limited (Hartley). The process is as follows:

1. The Lifetime SIPP Property Questionnaire and independent valuation of the property is sent to Hartley.
2. Lifetime confirm that they are happy for the purchase to proceed.
3. Hartley produce an invoice and deduct the SIPP property fees from the SIPP bank account.
4. Hartley sets up the SPV with Companies House.
5. Hartley provides their solicitor the new SPV details and a copy of the property purchase questionnaire.
6. Hartley's solicitor then contacts and works with the clients chosen solicitor to ensure the property purchase is completed in accordance with the SIPP Legislation.
7. Hartley will issue funds to finalise the property purchase on receipt of the completion statement and confirmation from their solicitor everything is in order.

Professional Parties

The solicitor representing The Lifetime SIPP is Mellersh & Co and is responsible for:

- Guidance of the clients chosen solicitor through the SIPP property purchase process.
- Preparing the Declaration of Trust allying the SPV's ownership of the property to the client's Lifetime SIPP(s)
- Reviewing the report on title
- Ensuring via the clients solicitor that insurance is in place on the property
- Checking environmental search results and reports
- Ensuring via the clients solicitor there is a lease in place and summarises the lease for our administration team
- Preparing a property management agreement between the SIPP Trustee and the chosen property manager

Client Solicitors

The SIPP member can appoint any Solicitor they wish to use.

Mellersh & Co will not be the appointed solicitor for the property purchase.

Accountant for VAT

If a client wishes the SPV or SIPP to be registered for VAT then they will need to find and appoint a suitable accountant to deal with the VAT registration and annual returns.

Lifetime do not offer a VAT accountancy service.

Property Manager

The Lifetime SIPP does not act as the property manager so one will need to be appointed by the SIPP Member.

The SIPP member can act as Property Manager or appoint an independent party.

Mellersh & Co will issue a Property Management Agreement for the Property Manager to complete which will outline the responsibilities of the role.

It is important for the appointed property manager to complete their appointed role as a third party and not take in to account any involvement they may have with the member and or tenant.

Borrowing/Lender

The client can choose any lender they wish to use to assist with a SIPP property purchase as long as the following rules are abided by:

- The borrowing is limited to 50% of the net SIPP assets
- The borrowing is formally documented
- It is on a commercial basis
- The SIPP Trustee receives all statements on the loan account and any subsequent accounts opened to manage the loan
- The SIPP Trustee is mandatory co signatory on any loan and additional SIPP bank accounts

Joint Purchases

Under the Lifetime SIPP it is possible for joint property purchases, the parties can involve:

- Other Lifetime SIPP's
- Third parties (individuals or companies)
- Connected parties
- The SIPP Member

Joint purchases with other SIPP providers can be a very complex and lengthy process, however Lifetime are happy to consider a joint purchase under these circumstances as long as an SPV is used and terms for the SPV can be agreed between the SIPP Providers and Trustees.

Property Fees

The SIPP Member needs to establish a Complete Lifetime SIPP in order to purchase a property within The Lifetime SIPP. The fees applicable for a property purchase under The Lifetime SIPP are detailed on our fee schedule and will be explained to you by your financial advisers.

Please note that an in specie transfer in of a Property to The Lifetime SIPP is treated and charged as a property purchase.

Where the property is purchased jointly across 2 or more Lifetime SIPP's the fees are split between all SIPP's involved.

Trustee Duties

The annual property fee is charged per property per member.

This fee covers the annual reporting required on the SPV together with the duties we must complete as Trustees of the SIPP. These duties include:

- Monitoring rent, and raising any defaults to the property manager and member.
- Requesting from the property manager tri annual valuations on the property.
- Assisting with settlement of property expenses from the SIPP bank accounts.
- Ensuring the property asset complies with HMRC pension legislation.
- Ensuring the Property hold suitable insurance.*

*Lifetime holds a blanket insurance policy for all property/land within The Lifetime SIPP which can not provide current insurance documentation. A charge will be drawn from the SIPP Bank account for use of this insurance policy.

Ongoing Responsibility

It is the responsibility of the SIPP client and property manager to ensure that the property has adequate insurance, a valid lease, regular rent reviews and should it be required the securement of tenants within the property

Independent financial and tax advice should be sought for all property purchases and sales as Lifetime/Hartley and The SIPP Trustee Company Ltd (SIPP Trustee) can not provide financial advice.