
SIPP FOCUS & SSAS FOCUS
**COMMERCIAL PROPERTY &
PROPERTY MANAGEMENT GUIDE**

BOOLERS
TRUSTEE COMPANIES



COMMERCIAL PROPERTY REMAINS A POPULAR CHOICE OF INVESTMENT IN SIPP FOCUS & SSAS FOCUS. THIS IS A GUIDE FOR THOSE LOOKING FOR THEIR SIPP OR SSAS TO PURCHASE COMMERCIAL PROPERTY AND PROVIDES DETAILS OF THE PROPERTY MANAGER'S MAIN RESPONSIBILITIES.

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COMMERCIAL PROPERTY

Investment in commercial property is permitted in both SIPP Focus and SSAS Focus.

Commercial property includes offices, shops, factories, agricultural land and bare land, hotels and motels, guest houses, nursing homes and public houses.

Fittings, business equipment or goodwill cannot be included in the commercial property value and cannot be bought by a pension.

PROPERTY MANAGERS

We are not property managers and it is therefore necessary for a property manager to be appointed on the purchase of a property.

As a member you may appoint yourself as property manager, otherwise you must appoint a firm to carry out the management.

A form is available that requires completion to formally appoint the property manager.

PROPERTY VALUATIONS

Any transaction with a member, or anyone connected with a member (a connected party), must be carried out at full market value and on an “arms length” basis.

A qualified surveyor must be appointed to complete a formal property valuation, where a purchase or sale involves a member or a connected party, and an initial rental valuation, where the tenant is a connected party.

The property manager is responsible for appointing a qualified surveyor, who is required to be either a Member or Fellow of the Royal Institution of Chartered Surveyors, and for arranging appropriate access to the property.

Boomers will be able to confirm requirements and assist with this process, if required.

TENANTS, TERMS & LEASES

Leases or tenancy agreements are required. The property manager is required to confirm to us the Solicitor to be appointed to prepare the Lease and register the Lease with the Land Registry.

We will need to see a draft of the Lease prepared and the document must contain a clause to limit the liability of Boolers Trustee companies to the scheme at any time, this will be provided to the Solicitor.

Where a tenant is a connected party, the Lease should be completed on standard commercial terms with a qualified surveyor confirming the appropriate market rent payable.

Where a tenant is not a connected party, the property manager will be responsible for appointing the appropriate professionals to market the property, where necessary, and agreeing terms.

We are able to provide contact details of a local commercial property solicitor with vast experience of pension scheme transactions, if required.

RENT & RENT REVIEWS

The property manager is responsible for invoicing the tenant for rent, collecting rent and pursuing any unpaid rent. Rent payments should be made to the scheme bank account and the property manager is required to provide a half-yearly activity report to us, notify us should rent not be paid by the due date and confirm the steps being taken to enforce payment.

Rent reviews may be required in accordance with the terms of the Lease. The property manager is required to negotiate rent reviews with the tenant, prepare the appropriate document and appoint a qualified surveyor to provide a market rental valuation, if required.

Where a tenant is connected it is not possible to negotiate rent as this must be in accordance with the market rent specified by a qualified Surveyor.

VAT

If the property is VAT registered then the member or property manager is required to opt to tax the property, register the scheme for VAT, complete the quarterly return to HM Revenue & Customs, normally online, and provide details of the returns completed to us. We can assist with the registration of the scheme, if required.

If a property is to be VAT registered after purchase, i.e. if a refurbishment is required, we can assist with the registration of the scheme and the property exemption to be waived.

Where there is a VAT query, we will, in all cases, seek the advice of a VAT expert, with the associated costs being charged to the pension.

INSURANCE & COMMUNICATIONS WITH THE TENANT

The property manager must ensure that the property is sufficiently insured and is required to provide us with a copy of the policy schedule, and revised policy schedule following each renewal.

Tenants' queries and negotiations with the tenant should be carried out by the property manager, with the property manager responsible for ensuring compliance with all the provisions of the Lease (e.g. repair and decoration).

REFURBISHMENT

The property manager will be responsible for arranging quotes and managing all works at the property, which will be payable by the scheme if not by the current tenant.

Where possible, individual invoices required to be settled by the scheme should be kept to a minimum. Please note, we retain the right to charge on a time cost basis when involved with such works.

BORROWING

It is possible for a scheme to borrow up to 50% of its net asset value. Therefore, a scheme with a combined asset value of £100,000 could borrow a maximum of £50,000 to assist in the purchase of investments.

This borrowing would need to be secured against a scheme asset, usually a property, and will be in the name of the trustees.

The Trustee's liability must be limited to the extent of the scheme assets.

Please note that if the appropriate repayments are not made the property will be at risk of repossession.

ASBESTOS

Regulation 4 of the Control of Asbestos Regulations 2006 (CAR 2006) imposes a duty on all 'dutyholders' to:

- Determine whether asbestos is present in a building or is likely to be present in a building.
- Manage any asbestos that is or is likely to be present.

'Dutyholders' are those who have a contractual responsibility for the maintenance or repair of the property, such as the landlord or tenant.

The property manager should ensure that the appropriate dutyholders are complying with CAR 2006 and that an initial assessment has been completed to identify the presence or possible presence of asbestos, a written plan has been prepared to determine the risk posed by the asbestos and that this written plan is kept under review.



JOINT PURCHASES

Where a scheme enters into a joint property purchase with another scheme or the members personally, their interest in the asset will be determined by their respective contributions or transfers into the scheme. This will be documented via a joint property agreement.

Normally a separate bank account will be established to receive rents and pay costs associated with the property. We are normally able to provide cheques and payments as requested by the member or property manager.

UNOCCUPIED PROPERTY

When a scheme property is unoccupied the property manager is required to ensure that the property is secure and the insurer notified.

If unoccupied the scheme may be subject to empty property business rates.

APPOINTMENT OF PROPERTY MANAGER FORM

A property manager must be appointed when a property is being purchased, with the member(s) required to complete the relevant form.

If at any time an alternative property manager is required please contact us for further information.

We are available to answer queries, where possible, in connection with the property. In the first instance you should contact your dedicated Account Executive on 0116 240 7070. Advice will be provided by your consultant at the annual review meetings, or as required on request.

Please note that the standard annual administration charge does not include any element of administration required in connection with property and we reserve the right to charge on a time cost basis in connection with such administration. Where we intend to charge we will endeavour to make this clear at outset and provide an estimate of the likely fees involved where possible.

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