

Property FAQs – Helpful Information

What information is needed by the SIPP?

We need a fully completed Property Purchase Questionnaire, a current valuation report from a RICS qualified Surveyor including a plan of the property or land, along with as many items as possible contained on the checklist on page 9 of the questionnaire. If there are development plans these need to be clearly and accurately noted. Without this information we will be unable to assess whether the SIPP is able to make the purchase. If there is a current tenant who is to remain at the property we need to see the existing lease and this will need to be amended once the purchase is complete.

Can a SIPP buy farmland?

A SIPP can buy farmland and farm buildings such as barns but cannot purchase the farmhouse as this is residential property. To buy land surrounding a farmhouse the title of the property will need to be split between the farmhouse itself and the remainder of the land.

Can a SIPP buy land for development?

A SIPP can buy land for development and can pay for the development to a point before the property (if it is residential) is habitable; so before kitchens, bathrooms and utilities have been installed. The property would then need to be sold on but note that in an unfinished condition it is unlikely to fetch market value.

The SIPP can pay for development plans/architect drawings but only once purchased by the SIPP.

What is classed as residential property?

The SIPP cannot purchase any residential property. This includes student lets, holiday cottages, guest houses etc. Please note we do not purchase the business, we purchase the underlying property and this should be clearly defined if it is residential.

Can a property be purchased by more than 1 client?

Properties can be purchased by individual clients or multiple clients, we just need to know the proportions of the purchase per client. Properties can also be purchased by a client and someone outside of the SIPP or by the client partly through the SIPP and part personally. The solicitor needs to understand the technicalities of the purchase so the correct paperwork is prepared.

Can a property be bought at auction?

In principle the SIPP can purchase a property at auction. Often the client will need to sign the documentation to commit to the purchase and then send the information to us for approval. Often the timescales for completion are quite short too. The client should be aware that by signing up to the purchase they are doing so personally and if for any reason our Investment Committee determine that we cannot purchase the property then they need to be able to proceed fully with a personal purchase instead.

Can the SIPP purchase leasehold property?

The SIPP can purchase leasehold property but it should be noted this can be considered to be a wasting asset as the freehold is not being purchased, just the lease which will run for a number of years. The remaining leasehold must run for at least 50 years.

What is a connected party?

A connected party is a HMRC term and applies to members who own property/land and use the SIPP to buy it from themselves or are the tenants involved in the property/land. The term includes the client and their immediate family. Any dealings with connected parties must be conducted on an "arms-length basis" and market purchase value/rent must be paid. So a SIPP cannot buy land from a member at a reduced rate for the member to gain unfair growth within the SIPP in a tax free environment. Similarly the member tenant must pay market rent so they are not benefiting personally to the disadvantage of the SIPP.

Once the SIPP has bought the property/land, it is owned by BWSIPP Trustees Limited not the member, so it is no longer theirs and they must abide by HMRC rules in all dealings with values and rental payments. If they do not, then HMRC can impose severe tax charges on the SIPP.

Which Solicitors can be used?

We have arrangements with some panel solicitors who understand the complexities of purchasing property/land under Trust via a SIPP (see attached) and know our products. Using these panel partners is most likely to result in lower fees for the clients. Separate solicitors need to act for the purchaser (the SIPP) and the vendor (in some cases the client); it may be that different offices of the same Solicitor can act, providing there is no conflict of interest. Leases or FBTs need to be drawn up by a Solicitor.

What Environmental problems could there be?

When we instruct the solicitors in the purchase we ask that they conduct a desk top environmental survey. This will highlight if there are any areas of concern, such as flood risk, contamination etc, that the Trustees should be aware of before the purchase. In some more severe cases we would look to the client to obtain an indemnity policy to protect the SIPP funds from the result of any of these causes.

Some older properties and farm buildings may contain asbestos. This is not a barrier to the purchase but we do need the name of a duty holder and a management plan in place before we can complete.

Can the SIPP buy Solar Panels etc?

The SIPP cannot purchase anything which HMRC will determine as Tangible Moveable Property (TMP). This includes solar panels, wind turbines, caravans, glamping sites etc. We can purchase bare land and lease this to a tenant. The tenant can hold a separate lease with a supplier company for facilities but these must be their responsibility, completely unconnected to the SIPP and removed at the end of their tenancy. All payments relating to these facilities are made between the supplier and the tenant and do not touch the SIPP.

How is rent received treated?

Rent received must be paid in accordance with the lease and is treated as investment income (growth) on the property/land (the asset). It is invested in accordance with the client's investment instructions (usually in the TIP). The clients should hopefully benefit from capital growth on the property/land and investment growth from the rent. It is not treated as a contribution to the SIPP.