

Small Self Administered Scheme

Property Notes



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1 Introduction

These Notes set out the issues involved should your SSAS purchase a commercial property and it is important that you read these notes carefully. HM Revenue & Customs (HMRC) impose certain requirements on us as administrator and these requirements, along with our terms and conditions in relation to the investment in commercial property, as set out in these property notes, must be strictly adhered to.

If the trustees wish to proceed with a property purchase then our Property Questionnaire must be completed and returned to A J Bell.

For the purpose of these notes the term property also includes land.

We have also prepared some additional Guidance Notes for solicitors, commercial lenders and chartered surveyors respectively which are available upon request.

We will forward these Guidance Notes to the relevant parties and it is therefore important that you provide their details in the Property Questionnaire.

2 The Property

A SSAS can only purchase commercial property but not normally property with any residential element. Special rules apply for mixed commercial and residential properties.

Hotels, guest houses, pubs with a residential element and nursing homes will all require special consideration, as will nurseries and other buildings where the trade is clearly identified with the property. Such properties are unlikely to be acceptable.

If the trustees intend purchasing a residential property for conversion to offices or some other commercial purpose then the change of use must be confirmed before the property is purchased.

Land with attaching sporting rights will also require special consideration.

Development land and agricultural land are both acceptable investments although residential developments are not allowed. There are a number of circumstances when HMRC may treat property transactions for taxation purposes as if the scheme was trading. We recommend you take tax advice if you believe this may be of relevance.

Whilst freehold property and property held on a long lease (with a minimum unexpired term of 50 years) are acceptable, short term leasehold property will not normally be acceptable.

Properties with any history of, or potential for, contamination problems are unlikely to be acceptable. Your property advisers will be able to provide further information on the implications of Part II A of the Environmental Protection Act 1990 and subsequent relevant legislation.

It is not our normal practice to buy property at auction.

Property should be viewed as a long term investment and a SSAS must have sufficient liquidity to be able to secure the benefits payable to each member should they wish to receive some or all of their entitlement to benefits. Careful consideration must be given to any property investment if benefits for any member are likely to commence in the short to medium term, or have already commenced.

We reserve the right to refuse to purchase any particular property if, in our opinion, it is not a suitable investment for a pension scheme, for example if the property is of a very specialised nature or if we anticipate re-sale difficulties.

3 The Vendor

If you are connected to the vendor we will only allow the transaction to take place on an arm's length value as determined by a chartered surveyor. Connected for this purpose is defined in section 839 of the Income and Corporation Taxes Act 1988. The definition is quite complicated although does include you, close members of your family and any business with which you are associated.

4 The Legal Owners

Legally the property will be jointly owned by each of the trustees of the SSAS, including A J Bell Trustees Limited. Further details on legal ownership are provided in the Guidance Notes for solicitors which are available upon request.

We will require a copy of the Land Registry transfer document, completion statement and a copy of all current leases in relation to the property. We will normally obtain these directly from the trustees' solicitor. It is the responsibility of the trustees to arrange for original documents and title deeds to be kept in a secure place although we must have access to these at all times and reserve the right to lodge any such documents with our solicitors at the expense of the SSAS.

5 Valuations

Before the property is purchased we will require a valuation and a surveyor's report, which must be addressed to the trustees of the SSAS.

The report must specify:

- market value;
- rental value if there is a new tenant (having regard to the proposed terms of the lease);
- rebuilding valuation for insurance purposes; and
- whether a structural survey or other detailed investigation is recommended.

The property will need to be valued regularly in accordance with the rent review clause within the lease.

We reserve the right to appoint a chartered surveyor, at the expense of the SSAS, to carry out any work we require.

Once you have appointed a surveyor to act on behalf of the trustees then you must make it clear to them that they are advising the trustees. We have separate Guidance Notes for surveyors available upon request.

6 The Purchase

The trustees will need to appoint a solicitor to carry out the conveyance of the property.

The trustees must make it clear to them that they are advising the trustees. We have separate Guidance Notes for solicitors which are available upon request.

The trustees must ensure that there is sufficient cash in the trustees' bank account to cover the purchase price and various costs associated with the property purchase.

For most purchases, the vendor must provide the purchaser with an Energy Performance Certificate (EPC). When you receive an EPC please ensure we are provided with a copy. It is important that, where this is required, you obtain the EPC as failure to do so may result in delays when wishing to let or sell the property.

7 Tenants

The trustees can lease the property to an unconnected third party or alternatively can lease the property to an employer participating in the scheme, or any company associated with that employer, or any other connected person, subject to the rent payable and the terms of the lease being on a fully commercial, arm's length basis as assessed by a chartered surveyor.

A lease must be entered into, and we will normally insist on a full repairing and insuring lease.

Please be aware that we must complete identity and verification checks on all tenants. It is important that you provide us with full details of all existing and proposed tenants at the earliest opportunity to avoid delays.

The property manager chosen by the trustees will be responsible for the management of the property and in particular for the collection of rent and ensuring that the terms of the lease are being adhered to. We strongly recommend that, unless the trustees have specialist property knowledge, they appoint a third party property management company to carry out these duties.

We reserve the right to appoint a third party property management company of our choice if we experience difficulties administering the property. Such a course of action will be unavoidable if rent is not paid on time by you, or a connected party, as tenant. The cost of this will be borne by the SSAS.

We have an obligation to HMRC to monitor that all rent is received when due and the trustees must enforce the terms of the lease at all times, particularly when the tenant is connected. If rent is in arrears then we will be obliged to seek recovery, on behalf of the trustees, by whatever methods are deemed appropriate.

Unless we specifically appoint an agent to collect the rent on the trustees' behalf, the rent must be paid directly into the trustees' bank account.

Where the landlord and the tenant are connected and rent is not being paid in accordance with the terms of the lease, this may be an unauthorised payment as defined in Finance Act 2004. If an unauthorised payment is made by the SSAS, HMRC will impose a tax charge on the member(s), or sponsoring employer of between 40% and 55% of the unauthorised payment. In addition, a scheme sanction charge of between 15% and 40% of the payment will be imposed on the scheme by HMRC. The administrators of the SSAS are required to report to HMRC any unauthorised payments made.

We strongly recommend that if you, or your company, or a connected person, are the tenant, you pay rent by standing order strictly in accordance with the lease.

With effect from 24th May 2004, the Control of Asbestos at Work Regulations 2006 requires that the dutyholder, that is the person responsible for maintaining and repairing any commercial property, is responsible for the identification and management of asbestos within the property. Under a full repairing and insuring lease, this responsibility will normally fall to the tenant. For further information, please contact your property advisers.

10 Trustee Borrowing (cont)

We do not get involved in arranging finance and you should liaise directly with the lending institution at all times.

We have separate Guidance Notes for commercial lenders which are available upon request.

11 Sale of the Property

When the trustees decide to sell the property, they will normally appoint suitably qualified agents to advise them on the best way to market the property and the selling price. If the property is to be sold to a connected party a valuation must be obtained from a suitably qualified valuer to confirm that the sale price represents the true market value of the property.

When you are marketing the property for sale an Energy Performance Certificate (EPC) must be made available to interested parties. When the property is sold the EPC must be given to the purchaser. You and/or the agent are responsible for meeting this requirement. Failure to comply can result in significant fines.

12 Joint Property Purchases

It is possible for a SSAS to jointly purchase a property with another A J Bell SSAS or SIPP. We will also consider a joint property purchase between a connected or a third party with an A J Bell SSAS.

Ownership of the property will be subject to an agreement between all of the trustees and the other joint owners which will normally be prepared by the conveyancing solicitor. This agreement must specify that in the event of the trustees of the SSAS wishing to sell part, or all, of their share in the property, for example to pay benefits, then the other owners will either purchase the relevant share of the SSAS at the appropriate percentage of market value, or alternatively the entire property will be sold. The terms of this agreement are important and we have agreed the wording of such an agreement which is available on request, although legal advice must be sought to confirm its suitability.

This agreement must also cover the proportion of the property to be owned by the SSAS. Subject to certain HMRC restrictions, this proportion can be altered in the future, subject to the property being valued by a chartered surveyor, a revised agreement being implemented and there being a transfer of cash (or other assets) between the joint owners to the appropriate value. Any transfer must be carried out at market value.

13 Insurance

It is the responsibility of the member trustees to ensure that buildings insurance cover is in place from exchange of contracts and at all times in the future.

We will also require there to be public liability insurance in place at all times and this is particularly important if the trustees are purchasing land (with no buildings), when one may not normally consider insurance appropriate.

We will require a copy of the certificate of insurance each year and reserve the right to take out an insurance policy, at the expense of the fund, if there is any doubt that the property is adequately insured.

14 VAT

It is normally possible for the trustees to elect for VAT on a particular property. We normally expect the member trustees, or their accountant, to arrange the submission of the VAT registration form and complete the quarterly VAT returns.

Complications may occur if the tenant is connected but 'Exempt' for VAT purposes and specialist advice may be required. Please note that A J Bell cannot provide tax advice.

If the purchase price is subject to VAT then please ensure that the finance to cover the VAT element is in place as it may take some weeks to complete the VAT registration and reclaim the VAT on the purchase price.

We will normally rely on the property management company, or the member trustees if they are managing the property, to raise the rental invoices (including VAT if applicable) in accordance with the lease. A copy of each rental invoice should be sent to us immediately to enable us to keep our accounting records up to date.

15 Fees

All fees in relation to the purchase of the property must be paid out of the SSAS. Any invoices in relation to work undertaken must be made out to the trustees of the SSAS.

In relation to the purchase of a property, this will include legal costs, stamp duty land tax, surveyor's fees, lender's fees (if appropriate), our fees and any disbursements.

Ongoing fees will include surveyor's fees, property management company fees, legal fees and our administration fees.

Any work relating to contamination or environmental issues will be subject to additional charge.

An estimate of fees in relation to a property purchase and ongoing administration can be provided on request.

You must ensure that there is always sufficient cash in the trustees' bank account to meet the initial and ongoing costs of the property.

16 Regulatory

A J Bell includes A J Bell Holdings Limited and its wholly owned subsidiaries A J Bell Management Limited, A J Bell Limited and A J Bell Securities Limited.

A J Bell Management Limited is authorised and regulated by the Financial Services Authority. A J Bell Securities Limited is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority.

Sippdeal, Sippdealxtra and SIPPcentre are platforms provided by A J Bell Management Limited. A J Bell Platinum SIPP is provided by A J Bell Management Limited. A J Bell Platinum SSAS is provided by A J Bell Limited.

The companies listed in the adjacent table are all registered in England and Wales at Trafford House, Chester Road, Manchester M32 0RS.

Company	Company Number	VAT Number
A J Bell Holdings Limited	4503206	833 5478 13
A J Bell Management Limited	3948391	759 3531 03
A J Bell Limited	3091664	639 0316 44
A J Bell Securities Limited	2723420	918 4226 21