



Property guide

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1. Introduction

1.1 About us

Howden provides Self Invested Personal Pensions (SIPPs) for individuals and business owners wanting more control over their retirement savings, with the reassurance of recognised financial strength and excellent personal service.

If you decide to invest in property through a SIPP with Howden, you'll have the full support of our expert SIPP Property team who have significant experience dealing with the complexities that accompany this type of investment. Our dedicated team will support you through your purchase process, overseeing the transaction, liaising with all the relevant professionals and keeping you updated on progress. Once the property is purchased, they'll be there to help you with any future queries about the ongoing administration of the property.

Their other key role is ensuring properties purchased and held in a SIPP with Howden comply with HM Revenue & Customs (HMRC) rules and other legislative or regulatory requirements. These rules can change over time, and although we can offer generic guidance on property and pensions, we can't provide you with advice based on your personal circumstances. We recommend you consider appointing appropriately regulated advisers to give any specific financial, legal or tax advice you need.

1.2 About this guide

Purchasing and maintaining commercial property and land through a SIPP involves several stages and can be complex. This guide aims to give you an overview of the key areas you should think about before investing in property using a SIPP including the types of property we accept and factors to consider after purchase, such as ongoing costs, management of the property and selling the property in the future. If you have a Flexible SIPP that was opened on or after 1 December 2023, you'll need to have appointed a financial adviser if you want to invest in property.

In this guide when we use the word 'property' we mean direct investment in commercial property and/or commercial land. It is also possible to invest in property in your SIPP using investment options like collective investment schemes, unit trust schemes, open ended investment companies and exchange traded funds. These options are not covered by this guide.

The end of this guide has a Glossary with helpful definitions for many of the words and phrases referred to during the process of purchasing, managing and selling a property in your SIPP. We also refer to external websites and specific terms to use when visiting these sites. We take no responsibility for the content of these external websites.

You should read this guide alongside the Terms and Conditions, Key Features and Schedule of Fees for your SIPP. These documents set out how your SIPP is administered and the charges for buying and holding property. There are also property forms including questionnaires to complete when you are looking to purchase or sell a property, if you want a new tenant or to carry out alterations.

Please contact us if you're thinking about buying a property using your SIPP, making changes to a property you already hold or have any queries. You can find our contact details at the end of this guide.

2. Summary of key areas of consideration

In this section, we outline key areas you should consider before deciding if using your SIPP to invest in property is right for you. The information provided is based on our current understanding of HMRC rules and practice.

Rules around tax, retirement savings and pension benefits can and do change, sometimes at short notice. We strongly recommend you seek professional advice on all financial, tax and legal matters. We also recommend you consider appointing professionals to help you with a range of ongoing activities, for example dealing with the practicalities of day-to-day property management.

2.1 Holding property in a SIPP

- The main purpose of a SIPP is to provide you with retirement benefits. This means purchasing a property using your SIPP is not the same as buying it privately.
- Some types of property, particularly residential property, are considered to be 'taxable property' by HMRC. Investment by a SIPP in taxable property will result in tax charges of 40% of the value of the investment being imposed on the policy holder and 40% being imposed on the SIPP (reducing to 15% upon confirmation any policy holder tax charges have been paid). If the value of the taxable property is more than 25% of the total value of the SIPP, a further 15% tax charge will be imposed on the policy holder.
- You won't own the property, it'll be an asset of the pension scheme and held by the Trustees. This means you won't have the same control over how the property is used and can't use it as security against personal borrowing. When making decisions, the Trustees must consider the interests of all beneficiaries – this includes you and anyone who may be a beneficiary of your SIPP after your death.
- Purchasing a property using a SIPP is more complicated than buying privately and it will usually take longer to complete a purchase or sale. We typically expect 12-16 weeks from instructing a solicitor to completion, but timescales can't be guaranteed.
- Under current legislation your SIPP can borrow up to 50% of its net value towards the purchase, development or refurbishment of a property. If there's already borrowing, your SIPP can borrow 50% of its net value less any existing borrowing. As borrowing will increase the ongoing costs of holding the property in your SIPP, we suggest keeping borrowing to no more than 25% of the property value.
- You'll be responsible for ensuring there's enough cash in your SIPP to meet upfront and ongoing costs such as our fees, property management fees, service charges, business rates and insurance costs. These costs will also apply if the property is vacant.
- If you don't have enough cash in your SIPP, you may have to pay money in or sell assets. It may be necessary to sell the property, which can take time, and you may not get the best price if it's during a downturn in the market. We recommend you hold at least £5,000 or three months' rent, whichever is higher, in your SIPP as a contingency to cover unexpected costs.
- It's essential that your SIPP is set up and, if there are any transfers, these are completed before any purchase process starts. Issues can arise during the purchase process which might prevent it from completing. If this happens, you'll still be liable to pay all costs incurred – either from your SIPP or personally. If another party decides not to proceed, we will not be responsible for any associated costs.

2.2 Investment considerations

When considering a property to purchase or hold in your SIPP, you should look at the same aspects you would with any other investment – what would realistic returns be, what are the upfront and ongoing costs and what risks does the investment involve.

- Property should be considered as a long-term investment (5-10 years). A rapid turnover of properties held by your SIPP could be viewed by HMRC as trading, which would lead to significant tax charges.
- The rental income the property generates needs to be enough to cover the ongoing investment and property management costs. We suggest you should consider a minimum property value of £200,000 to help ensure income will exceed costs.
- Rental income can vary as it's subject to market fluctuations, the availability of tenants and a tenant's situation which you may not be able to control - like a business owner opting to miss a rent payment to help their own cashflow during difficult economic times. Income may also be less than you hoped for in challenging or competitive market conditions. If the property is vacant, you won't receive rental income but will still have to pay ongoing fees including payments on any borrowing.

- As well as taking rental income into account, we recommend you look at the net rental yield your property might provide. Being aware of the net rental yield when purchasing the property and regularly considering the impact that future changes may have, for example higher borrowing costs, will provide you with a clearer understanding of your investment return. This is especially important when planning your retirement income and we recommend you discuss this with your financial adviser.
- If your SIPP has a significant proportion invested in property, it can be more vulnerable to downturns in the property market compared to a SIPP invested in a diversified range of assets.
- A valuation doesn't guarantee the price of a property. The true value is only ever determined when it's sold so you should think about market conditions when buying and selling a property.

2.3 Tax considerations

Tax rules for pensions can be complex, and this is only a high-level summary. We recommend you speak with an FCA regulated financial adviser if you need help on your personal circumstances.

- Tax relief available when money is paid into your pension can lower the effective cost of purchasing a property. If you pay into your SIPP, we'll claim basic rate tax relief on your behalf. Higher and additional rate taxpayers can claim further relief through their tax return. We can't claim tax relief on contributions paid by your employer, but they may be able to claim corporation tax relief. The Government sets limits on the amount you can pay into pensions each tax year. If you exceed this, you could incur tax charges.
- Any growth in the value of a property held in your SIPP will be free from Capital Gains Tax (CGT). There will also be no CGT payable if you sell the property. If you're buying a property from yourself or your business, CGT may still be payable by the seller.
- Purchase taxes - Stamp Duty Land Tax in England and Northern Ireland, Land and Buildings Transaction Tax in Scotland and Land Transaction Tax in Wales will normally still apply when purchasing a property using your SIPP.
- Currently, pensions fall outside of your estate for Inheritance Tax (IHT) purposes, but this is due to change from April 2027. If no exemption applies, the standard rate of IHT (currently 40%) will apply to death benefits from your SIPP. You should think about how this might impact a property held in your SIPP, especially if it is co-owned and your share would need to be sold.
- If a property transaction involves an individual or company you're connected to, transactions must take place at arm's length. This means professional valuations are needed for purchases, sales and to assess market rent. Approved tenancy agreements must also be in place. If a connected individual or company benefits whether financially or otherwise, HMRC will apply significant tax charges.
- If you're connected to the tenant, or your business is occupying the property, failing to pay rent can trigger unauthorised payment tax charges. We'll act when rent hasn't been paid, including taking legal action if necessary. We'll also report missed payments to HMRC. If rent is likely to be missed, it's better to contact us promptly to discuss potential solutions.
- We won't allow transactions considered to be 'value shifting' by HMRC. These are any transactions where value shifts from the pension scheme to the member or a connected person. For example, if you terminated a lease to a connected party which reduced the value of a property allowing it to be purchased for a lower price. The value would have been artificially moved because of the relationship between you and the tenant, and tax charges would apply.
- Properties can be registered for VAT. This can impact the costs on purchase, and it is essential that the VAT status of the property is known and understood as the tax consequences can be significant. The impact is not just at purchase but also if the property is developed or refurbished, as well as the paperwork that needs to be submitted to HMRC. Regular VAT returns will need to be completed, and VAT charged on rent paid by the tenant.

3. Types of property you can hold in your SIPP

HMRC rules mean there can be significant tax charges on certain types of property if purchased or held using a SIPP. This means you can't invest in residential property using your SIPP. Residential ground rents are also considered residential property by HMRC.

Because the property will be held as an asset under our pension scheme, we also set limitations on the type of properties we allow. Our specialist property team will **always** carry out detailed due diligence relating to the property being purchased alongside solicitors who will have their own checks. The table below sets out, at a high level, the types of properties we allow and don't allow.

We also only allow the purchase of properties in the UK - England, Northern Ireland, Scotland and Wales. We don't allow the purchase of overseas properties including properties in any British Overseas Territories or Crown Dependencies.

Properties we allow

- Business offices
- Warehouses and industrial units for manufacture, storage or distribution
- Shops for retail sale of goods to the public
- Restaurants, cafes and takeaways; public houses, wine bars and other drinking establishments
- Public and leisure facilities such as cinemas, dance and concert halls, nightclubs, sports halls, swimming pools, gymnasiums or bingo halls
- Agricultural or grazing land, forestry and woodland
- Garages
- Children's homes
- Student halls of residence but not self-contained units, including flats, which are rented out as a commercial venture
- Hotels and hostels
- Hospitals, nursing homes and hospices
- Job-related residential accommodation which is occupied by an employee who is not legally connected to you (the SIPP policyholder) and/or the employer, and is required to live in the property as a condition of their employment for example flat for a caretaker or a landlord living above a pub
- Any commercial property which benefits from shared access with, or over, a residential property so long as, and subject at all times to our due diligence and any required regulated professional advice and to the specific facts and circumstances of the transaction, that commercial property does not receive any payment of any kind by or for the residential property in relation to that shared access and that commercial property does not derive any financial benefit of any kind from the shared access.
- Listed buildings, conservation areas and properties in designated areas (although these are likely to be subject to additional checks especially if any previous building work has taken place)

- Non-residential institutions such as clinics, health centres, doctor surgeries, dental practices, day nurseries
- Prisons

Properties we don't allow

- Buildings that were previously residential houses that are being used, entirely or partially, for commercial use, unless they have the correct usage permissions in place and do not have any remaining residential element
- Gardens or parts of a property that form part of, or are used in conjunction with, residential property
- Holiday apartments, timeshares, beach huts and caravans
- Any property that benefits from an income such as hotel rooms or storage pods
- Land or property adjacent to a property you, or any party connected to you, already owns. Unless a qualified valuer or surveyor registered with the Royal Institution of Chartered Surveyors confirms they're physically and practically separate, and that there is no enhanced value as a result of the land or property being adjacent, then this could be considered
- Residential property, any commercial property that shares access with, or over, a residential property, or any commercial property that receives any payment or financial benefit of any kind from any shared access or land with a residential property.
- Recycling centres
- Residential ground rents
- Petrol stations
- Properties with overage agreements, also known as clawback or uplift, included in the title
- Self-contained units, including flats, which are rented out as a commercial venture to students, unless they are part of a hall of residence directly connected to an educational establishment.

We will also only accept the purchase of properties where the tenure arrangements are appropriate for holding the property in a SIPP. This includes:

- freehold properties in England, Wales and Northern Ireland;
- heritable properties in Scotland (historically known as feuhold);
- properties on a leasehold basis with at least 50 years of the contractual term left to run, at a nominal ground rent, minimal (if any) service charge with standard tenant responsibilities and no excessive tenant covenants; or
- commonhold basis where there is freehold ownership of a single property within a larger development, with membership of a limited company that owns and manages the common parts of the development.

If the type of property you're looking to purchase isn't shown on the previous page, please do contact us and we can discuss this with you.

As well as the type of property, we also recommend you think about the value, likely income and net rental yield a property will generate. Because of the costs of investing directly in property using your SIPP, we suggest a minimum property value of £200,000. This is to help ensure the rent payable on the property is greater than the ongoing investment and management costs.

4. Independent professionals to support you

Buying, managing and selling a property using a SIPP is a specialist area. We recommend you consider whether you need independent professionals to help you with a range of ongoing activities.

Some of these activities are mandatory, some regulatory and others discretionary, but ultimately choosing the right professionals can have an impact on the performance of your SIPP's value. Appointing professionals will also increase the cost of holding property in your SIPP. You should take this into account when considering investing in a property.

You can use your own professionals, provided they are regulated or hold appropriate professional qualifications and have no connection to you, your pension scheme or property.

4.1 Solicitors

We have a panel of expert solicitors for you to choose from. We have chosen the panel for their extensive experience in dealing with property transactions involving pensions. They know about, and are familiar with, the specific requirements and nuances likely to occur when buying and selling properties within a pension.

There are many advantages in using our panel solicitors, including their familiarity with our specific pension scheme rules. We also have agreed processes and contacts in place with them, including standard documentation.

We've also negotiated standard flat fees with firms on our panel. The Panel Solicitor Fee Schedule, available on our website, sets out the full details of these fees as well as information about the solicitors. If you need additional legal work, outside the scope of the agreed terms, further charges will apply which you'll need to agree before the work takes place.

All of this, as well as the ongoing working relationships, means transactions tend to happen more quickly and smoothly when our panel solicitors are involved.

You can, subject to our prior approval and payment of an additional fee on completion of any activity (set out in our fee schedule), use your own solicitor if there is no conflict of interest. To avoid delays and potential increase in your costs please make sure the solicitor you choose has experience in SIPP property transactions.

If we agree to proceed with your preferred solicitor, you will be responsible for agreeing their fees and disbursements with them directly. These costs, together with the additional fee, will be payable from your SIPP.

The role of the instructed solicitor when acquiring a property includes:

- undertaking all the usual searches and diligence, and checking the title to the property;
- liaising with any other parties and professionals involved, reviewing their records and replies and reporting to both you and us with their findings;
- providing all necessary documentation for the conveyancing process;
- if one or more tenancies are involved, they will review their terms and report to both you and us with their findings and prepare any necessary landlord and tenant documentation;
- if borrowing is involved, they will liaise with your lender and any solicitors appointed by your lender, report to them, and arrange all necessary finance documentation and associated security documents; and
- managing the exchange and completion processes with all necessary parties and finalising all post-completion matters such as payment of land taxes, all relevant registrations and restrictions (including if the purchase is with another owner) and serving notices where required.

4.2 Surveyors

A Royal Institution of Chartered Surveyors (RICS) registered surveyor must be appointed to carry out a valuation of the property on our behalf. This valuation must be carried out in accordance with the standards set out in the current RICS member's code of practice, known as the Red Book, and addressed to us as a trustee.

In addition to the market value, we'll require the surveyor to confirm the reinstatement value for insurance purposes. This is the estimated cost to completely rebuild the physical building should it be destroyed (or any building on the land being purchased). To rely on the valuation, completion will need to take place within six months of the date of the valuation otherwise a new valuation will be needed.

If borrowing is involved, your lender may accept the valuation issued by your surveyor, but they may insist on one from their own approved surveyor. We may also accept a valuation that has been prepared for a lender, but we would need to discuss and agree this with you, and it would need to be re-addressed to us as a trustee.

Where the property is to be let to a connected party, the valuer must also confirm the market rent that should be charged (for more about connected parties see page 12).

We will also require a structural survey if the valuation states it is necessary, there are unusual repairs or other similar obligations revealed by the diligence relating to the property. If we do not request a structural survey, it does not imply acceptance of any liability regarding the structural condition of the property. You will need to be comfortable with this yourself.

Regular valuations of a property will need to take place whilst it is held in your SIPP. This is to ensure that the value of your SIPP, and any benefits taken, is accurate and to ensure that the insurance is satisfactory. Valuations may also be needed at other times to comply with statutory requirements, for example when you take benefits from your SIPP and within six months of your retirement. These valuations will need to be carried out by a RICS registered surveyor. You or your property manager will need to carry out these valuations within the required timescales.

4.3 Property manager

Whilst we do not insist you appoint a professional property manager, it is important you consider the ongoing time and effort required in the day-to-day management of a property and the benefits appointing a professional can bring.

A property manager's duties will typically include:

- responding to tenant emergencies;
- repair and maintenance of common areas;
- collection of rents and arranging rent reviews; and
- paying for common expenses and making reports to us.

Where a property is vacant for any extended period, they will also be responsible for arranging additional security. All duties are coordinated with your instructions and charged according to the work undertaken. We also expect the property manager to report to us, at least every three months, with a complete statement of financial activity relating to the property, including details of rental payments and all costs incurred, that can be reconciled against your SIPP.

We do recommend a property manager is appointed for more complex arrangements, for example where a property has multiple tenants, where you might need help dealing with tenants, if the property requires significant maintenance and when oversight is needed of any potential development work.

If you appoint a property manager, then their fees and permitted expenses will be taken from your SIPP (or potentially shared between the co-owners). Their fee, which would be charged on a commercial basis, is typically 5-15% of the annual rent depending on the duties covered by the arrangement. If you decide to be appointed as property manager, you will only be able to do this if you are a professional property manager or have relevant experience of carrying out similar work. The appointment must be documented by a formal property management agreement and fees charged in line with your normal charges for providing these services.

If the property has been registered for VAT, the property manager must forward us copies of both rent invoices issued and expenses paid on a quarterly basis. This evidence will be needed for us to complete VAT returns for your SIPP. If you prefer, you can arrange for the VAT returns to be completed by an accountant or VAT specialist, but you must let us know if you do this.

Any costs paid by a property manager on behalf of the owner must be recharged in accordance with the terms of any tenancy in place as well as being on an arm's length basis.

4.4 Lenders

We do not have a preferred panel of lenders and you are free to choose any UK high street lender subject to our approval. Different lenders will have their own requirements, for example they might restrict the type of tenant and the amount of income generated by the property, so it is important you make sure your chosen lender is fully aware of your plans.

For more detail about borrowing funds related to your SIPP, see the section on the next page.

5. Buying a property using your SIPP

5.1 In specie transfers from another pension scheme

Please contact us if you are considering transferring a property you hold under another pension scheme to your SIPP. We'll need to ensure we can accept the property into our scheme, and that specific HMRC requirements are followed. We'll carry out the same checks as if you were purchasing the property and reserve the right to refuse a property into a SIPP.

All UK land registries treat in specie transfers as transfers for value and there will be standard registration charges payable depending on the value of the property and the relevant registry fee scale.

5.2 Funding your property purchase

Finance must be in place before any purchase or other transaction can proceed. There are several ways you could fund a property transaction. Which approach is right for you will depend on your circumstances. If you aren't certain, you should talk to an appropriately regulated adviser.

Contracts won't be exchanged until we're certain funding arrangements are in place and there are sufficient funds in your SIPP to cover any professional fees, administration fees, tax charges, registration fees and disbursements and all other associated costs.

Cash contributions

You could pay a cash contribution to your SIPP. If you pay contributions personally, we'll claim basic rate tax relief on your behalf. Tax relief can sometimes take several weeks to be paid by HMRC. If you're a higher or additional rate tax-payer you'll also be able to claim additional tax-relief outside of your SIPP. If the contribution is made by your employer, we can't claim tax-relief, but your employer may be entitled to corporation tax relief.

There are limits on the amount you, or other people on your behalf can pay into a pension each tax year. If you're not sure how these limits apply to you, we recommend you take advice from an FCA regulated financial adviser.

Transfers

You could transfer existing pension funds from another pension scheme to your SIPP. If you're thinking about transferring from another pension scheme you should make sure you understand whether you'll be giving up any rights or benefits under the transferring scheme. If you have any safeguarded benefits (for example, guarantees on how much income you'll receive when you retire, or guaranteed annuity rates) you may need to take advice before you can transfer.

If you're not sure whether it's right for you to transfer from another pension scheme to your SIPP, we recommend you take advice from an FCA regulated financial adviser.

Sale of Existing Assets

If you're going to sell existing assets in your SIPP to fund your purchase, you need to leave enough time to sell those assets and for the cleared monies to be available in your SIPP before contracts can be exchanged. Please let us know as soon as you can so we can confirm our process and requirements, as well as the likely timescales.

Borrowing

HMRC rules let you borrow up to 50% of the value of your SIPP. This limit must take account of any existing borrowing, and the net fund value cannot include the property to be purchased. Borrowing isn't limited to the purchase of a property and can also be used to cover development costs.

For co-ownership purchases involving other SIPPs, each SIPP can borrow up to 50% of its own net fund value. Each SIPP holder will require their own separate loan facility. Any debt and how this is split between the co-owners, including what happens when any co-owner defaults on their loan payments, must be documented by the solicitor acting for the SIPP.



You can borrow from any source, but the lender and the loan terms must comply with HMRC requirements and be approved by us before the earlier of exchange or completion. Any loan must be formally documented and comply with all appropriate legal and regulatory requirements.

Loan terms will vary according to the circumstances and depend on factors including the level of risk. Any special loan or mortgage conditions will need to be assessed and approved by us on a case-by-case basis. We will always require that any charge over the property as security, for any loan, be limited to the value of your SIPP.

Borrowing can be secured or unsecured and your lender will need to be satisfied with the suitability of any security they're taking on. Some may require a cleared balance in a designated bank account to cover ongoing capital and interest repayments. You can also lend to your SIPP personally, or borrow from another connected party as long as the loan is agreed on arm's length terms at a commercial rate of interest. To confirm the loan terms are appropriate, we will also require a loan quote from a reputable lender for comparison.

As borrowing adds to the ongoing cost of investing in property, you should consider the impact on both affordability and the impact paying off the loan may have on the future value of your SIPP. We suggest limiting borrowing to 25% of the property value to help ensure the returns your property generates exceed ongoing costs. If you're not sure whether borrowing to fund a property purchase is right for you, we recommend you talk to an FCA regulated financial adviser.

If your purchase requires borrowing, please ensure you have sourced a lender before you provide us with your completed Property Purchase Questionnaire. If we are a co-trustee of your SIPP, the borrowing will be in joint names. If we are the sole trustee of your SIPP, the borrowing will be in our name only.

Grants

It may be possible for your SIPP to apply for a grant to assist with any purchase, development or refurbishment of a property, for example, if the property is situated in a redevelopment area. You must check the grant is appropriate for a trust and not just a trading entity. You must always inform us of any proposed grant, and we will need to see and approve any agreement before we agree to sign it.

Whilst a grant may seem appealing, various factors need to be considered before proceeding:

- the grant will be treated as a donation to your SIPP and the body making the grant must be agreeable to it being made available to your SIPP;
- the terms and conditions attached to the grant must not impose any strict obligations such as a requirement to provide employment or enforce any restrictions on subsequent sale; and
- the terms of any future claw back of costs must be considered carefully in respect of any future sale

5.3 Ownership

One of the complexities of holding a property in your SIPP is the nature of the ownership.

Trustees and co-trustees

Any property purchased by your SIPP will be held as an asset of your SIPP, and everything relating to it must follow the rules set out in the Trust Deed and Rules of the pension scheme and the Terms and Conditions of your SIPP.

The legal title will be in the name of BW SIPP Trustees Limited. If you're a co-trustee your name will also be included on the legal title.

- If you're invested in the Howden Flexible SIPP, previously known as the Barnett Waddingham Flexible SIPP, BW SIPP Trustees Limited is the sole trustee.
- If you're invested in the Howden Self Invested Personal Pension, previously known as the Barnett Waddingham Self Invested Personal Pension, BW SIPP Trustees Limited will be the Trustee. Depending on when you took out your SIPP you may also be a co-trustee. This will be set out in your SIPP Terms and Conditions, but if you're not sure, please contact us and we can confirm this for you.

Shared Ownership

The purchase and ongoing maintenance of a property can be shared with another pension (whether administered by us or another provider) or a third party. We won't accept any co-ownership arrangement that requires your SIPP to become part of entities such as a limited liability partnership or a limited partnership.

Before proceeding with a shared ownership purchase, we will need to review the proposed owners along with our normal checks on the property itself. Our diligence requirements for the purchase (and any future activities) may be different to other providers. We won't change our requirements if issues do arise.

Each co-owner will be allocated a set percentage share based on the amount of money they originally put in. This must be detailed in a declaration of trust, co-ownership agreement or similar document.

This declaration of trust will also set out various rules, for example what happens if one owner wants to sell their share or if a co-owner dies. The declaration will also outline how decisions are made, and we would recommend a property manager is appointed to help ensure decisions are carried out as agreed.

There should be sufficient funds in each individual pension scheme fund to meet any liabilities. If not, you, or the other parties, may have to provide further funds to cover the shortfall. The funds in one co-owner's SIPP cannot be used or allocated to cover another co-owner's shortfall.

To ensure the rent payable on a property held in your SIPP is greater than the ongoing investment and management costs, we suggest a minimum property value of £200,000. Where shared ownership applies, if the property is shared only with other SIPPs administered by us this suggested value is for the entire property as all income and fees will be split proportionately in line with the share of the property held.

If the property has shared ownership and an owner is not holding their share in a SIPP administered by us, we suggest the proportion owned by SIPPs administered by us is £200,000. This is because you will only receive a share of rental income, but our fees will still be payable in full from your SIPP (and any other SIPP with Howden owning a share of the property).

5.4 Connected parties

If you're buying, selling or letting a property to a connected party, significant tax charges can arise if transactions aren't carried out at arm's length and on commercial terms.

You're connected to an individual if you are:

- their spouse or civil partner;
- a relative of that individual. Relative is defined as brother, sister, ancestor or lineal descendant. Relative does not cover all relationships, for example you are not connected if you are the individual's nephew, niece, uncle or aunt;
- the spouse or civil partner of a relative of the individual;
- a relative of the individual's spouse or civil partner; or
- the spouse or civil partner of a relative of the individual's spouse or civil partner.

You're connected to a company if:

- you are the manager of the company or otherwise concerned in the management of the company's trade or business; and
- you are either on your own or with one or more of your associates (including any individual listed above), the beneficial owner of, or able, directly or through the medium of other companies, or by any other indirect means, to control not less than 20% of the ordinary share capital of the company.

Where a connected party is involved, we must be able to evidence transactions take place at arm's length. This means a valuer must be instructed to determine the current market value and/or market rent before the transaction can be progressed, and any valuation must be carried out in accordance with the current RICS code of practice, known as the Red Book (see page 8 for information about surveyors)

If a connected party is already the tenant at the property at the point of purchase, a new approved tenancy must be entered into at the same time as completion of the transaction. This is to ensure the tenancy is on arm's length terms.

5.5 Environmental factors

It is imperative before buying a property to be aware of any environmental issues such as flood risk, contamination or the presence of invasive plant species, such as Japanese knotweed. We need to know what these issues could mean for you and us, from a legislative position and any measures needed to be taken before the purchase can take place.

When we receive your completed Property Purchase Questionnaire, we'll ask the solicitor acting for the SIPP to arrange an environmental report for our review. This report will use information from sources including the local environmental regulator and Ordinance Survey, historical use of the land, potential environmental hazards, regulatory and planning records to assess any past, present or potential issues.

This report is compulsory as part of our process and is crucial in determining what further investigation may be required, what potential future liabilities may be and whether the purchase can proceed.

If there is contamination and the polluter cannot be identified and/or located, the current owner or tenant of the property will be considered the appropriate person to cover the costs of fixing the environmental issues, including on any adjacent land. This means we, as the owner, could be faced with considerable costs.

As well as this report, we will use the responses from the seller to enquiries raised by your (and our) solicitor to complete our diligence in deciding the suitability of a property. The associated cost of the environmental report will be charged to your SIPP even if the purchase does not go ahead.

We reserve the right to refuse a property purchase that, in our opinion, poses significant environmental risks that can't be mitigated.

Asbestos

Building control requirements have prohibited the use of Asbestos Containing Materials (ACMs) in new buildings since 1999, but there may still be a risk of the presence of ACMs in properties built before this time.

Health and Safety Executive (HSE) advice is to assume the presence of asbestos and products that contain asbestos unless there is strong evidence otherwise. Under asbestos regulations, the seller is likely the current duty holder and therefore required to carry out a suitable and sufficient assessment to determine the presence of asbestos, with this information included in a management plan. The asbestos register and management plan for the property should therefore always be available for inspection and any issues should be addressed prior to purchase.

Failure to comply with the asbestos regulations can result in the HSE taking action against the duty holder, which can include criminal sanctions. After purchase you or the tenant would usually be the duty holder. We cannot accept the role of asbestos duty holder.

We may determine we're unable to proceed with the purchase of a property if there are significant issues with ACMs that haven't been treated in accordance with HSE guidelines or where any documentation required by HSE guidelines cannot be provided.

Energy Performance Certificate (EPC)

An Energy Performance Certificate (EPC) rates how energy efficient a UK property is. Unless the property you are looking to purchase is exempt, a valid certificate must be available before the property is sold, rented or when it has finished being built. When buying a property, the EPC would be provided by the seller.

Depending on the condition of the property, it may be necessary to improve the EPC rating before the property can be bought or let, and you should consider these additional costs as part of your decision making.

For more information about EPCs, including the current legislative requirements relating to commercial properties e.g. where to display a certificate and exemptions, please refer to www.gov.uk and search 'EPC business premises'.

5.6 Auction purchases

If you're looking to purchase a property at auction, it is essential that you inform us as soon as you've decided on your intended property so we can be involved to support you and the proposed purchase.

Before the auction we need you to send us the auctioneer's legal pack and your fully completed Property Purchase Questionnaire (which can be found on our website) to allow us to complete due diligence, including checking any required funds and finance are in place. We'll only be able to approve the intended purchase for the SIPP once we've satisfied all our requirements, and we can't guarantee that will happen before the auction.

We will also need to sign the auction contract and any ancillary documents. Neither your SIPP, nor us as trustee, should be named as a buyer of a property in any contract or other legal document until we have approved the purchase, and we accept no responsibility or liability where this is done without our approval and consent.

If you proceed with the auction before we approve your intended purchase and your bid is successful, this will result in substantial costs which you'll be liable for personally.

5.7 Purchase taxes

Depending on where in the UK the property is, the relevant purchase tax may apply. This tax is calculated on the full purchase price of the property, including any VAT element (where applicable), and is paid regardless of where the transaction takes place, the residence of the person making the purchase or if the property is being transferred.

Any tax due on the purchase of the property will be paid for from your SIPP so it is essential you have sufficient liquidity to make any payment in the timescales. It is important to remember that if the property has been registered for VAT, any purchase tax will apply to the price after VAT has been added, even if the VAT can be reclaimed (see page 21).

We cannot provide you with tax advice and if you need information we recommend you talk to an appropriately regulated adviser.

For further details of the latest purchase tax thresholds please search the relevant website shown below

England	Stamp Duty Land Tax (SDLT)	www.gov.uk and search 'SDLT'
Northern Ireland		
Scotland	Land and Buildings Transaction Tax (LBTT)	www.gov.scot and search 'LBTT'
Wales	Land Transaction Tax (LTT)	www.gov.wales and search 'LTT'

5.8 Our purchase process

This section of the guide focuses on the five key stages in our process for buying a property using your SIPP

- Submitting your application
- Assessing your application
- Moving forward with the process
- Finance in place
- Exchange and completion

Submitting your application

Before deciding to proceed, as well as assessing the financial feasibility, you should also read your SIPP Terms and Conditions, Key Features Document and Fee Schedule, alongside this guide and other related property literature available on our website.

When you're ready to proceed please complete our Property Purchase Questionnaire and return it to us with all supporting documents - this acts as your official instruction to us to begin the purchase process.

Assessing your application

We'll review the information you've provided to check for any obvious reasons that the purchase can't continue, before formally starting the due diligence process.

We may contact you to discuss any queries and if we need more information. Additional checks may be needed if, for example, you are looking to purchase a listed building, or asbestos is known to be present at the property.

Once we have all the necessary information from you, we aim to contact you within 5-7 working days to confirm whether the property meets our initial due diligence checks.

It is at our discretion whether we agree to the proposed property purchase. We may decline the purchase at this stage or at any time during the process for reasons including:

- Our initial property or transaction assessment would need to be substantially amended.
- Risk that the transaction may give rise to significant tax charges, may breach pension legislation requirements or the terms of the SIPP's trust deed and any associated rules and regulations.
- Unacceptable levels of risk including any unsatisfactory due diligence outcome.
- Transaction involves value shifting (see page 5).
- Environmental concerns.
- If your SIPP is involved in frequent property purchases and sales that may be classed as trading by HMRC, which could result in tax penalties.
- If we, as trustee, cannot obtain full legal title to the property, or the title is otherwise defective.
- When the property cannot be insured with a reputable insurer in the UK or an insurer whose principal office is in the UK.
- If the purchase is not financially viable.
- We are advised the property has no re-sale market value.

We will also cancel the transaction if we don't receive all necessary information within six months of your official instruction, unless there are good reasons why we shouldn't do this. You will be liable for any costs incurred up to that point.

Moving forward with the process

We will instruct the solicitor who acts on our behalf and, if relevant, the lender. Over the next few weeks, the solicitor will be working on the conveyancing process. We liaise with the solicitor on their property title report and, where we can, will help resolve any issues that might arise, for example from the valuation.

We'll also be checking to ensure all the paperwork contains the relevant provisions for the property to be included in your SIPP.

We typically expect the process to take 12-16 weeks from instructing a solicitor to completion, but timescales can't be guaranteed. You'll be kept updated on progress during this time.

Finance in place

It is essential you ensure any finance is agreed and legally documented before exchange or before a deposit can be paid. This is required even if exchange and completion are expected to take place at the same time.

Contracts will not be exchanged until we are certain of funding arrangements and are satisfied there are sufficient cleared funds in your SIPP to cover any professional fees, administration fees, tax charges, registration fees and disbursements and all other associated costs.

We also suggest checking the ongoing costs associated with the property. If anything has changed, you'll need to let us know.

Exchange and completion

The solicitor will send us the draft legal paperwork. We'll agree any required changes with them and request a trial run completion statement for approval. We will send the signed documentation to the solicitor and, if applicable, deposit monies to them to be ready for exchange.

The solicitor will inform us when contracts have been exchanged (where exchange and completion are happening separately) and we will request a final completion statement from the solicitor for approval.

We'll carry out final checks on funds and finance, due diligence, legal documents including landlord and tenant documents, property insurance (if not already in place) and any VAT related matters and registrations (where applicable).

We'll send the completion monies to the solicitor and they will inform us that the purchase has completed. We will then confirm this to you. We will also confirm the property is insured, and if relevant, details for borrowing repayments, rental income, dates for insurance renewals, rent reviews and other key information.

6. Selling a property held in your SIPP

If you decide to sell a property already held in your SIPP, the money from the sale will be paid to your SIPP and held with the other assets in your pension. You can't usually withdraw funds from your SIPP until you reach the Normal Minimum Pension Age. This is currently 55 but the Government has confirmed this will increase to 57 from 6 April 2028.

If you're planning to sell the property so you can take benefits from your SIPP, we recommend you talk to an FCA regulated financial adviser. They can provide you with advice on how to take your benefits and whether to sell the property to fund this.

6.1 Putting the property on the market

When you decide to sell a property, you can market the property yourself but you may obtain a higher price if you choose a professional estate agent with local knowledge and contacts. They can also support you in ensuring you have all relevant forms and certificates, for example if you need to supply a valid EPC.

You can also sell the property at auction. This may result in a quicker sale, but it may also result in a lower sale price. Please inform us as early as possible of the auction sale details so our teams can support you and the intended sale.

Please remember it is important to ensure all property management matters are up to date so the sale can proceed as expected. If any property management requirements aren't carried out either in the necessary timescales or at all, this may result in additional fees, the sale being delayed or even falling through. We accept no responsibility or liability if any of these happen.

When you've decided to accept an offer, please get in touch with us and we will send you our Property Sale Questionnaire to complete. This form is also available on our website.

6.2 Costs

Once we've received your completed Property Sale Questionnaire, we'll send you an estimated fee for the sale process. Our Schedule of Fees is available on our website and the fees will depend on the complexity of the sale and the nature of your property. Fees are likely to be higher if there is borrowing to be repaid from the sale proceeds or if the property needs to be de-registered for VAT.

You'll also need to consider all the fees associated with the sale, for example estate agent costs, surveyor fees and solicitor fees including the potential additional fee if you are using your own solicitor.

There will be no CGT to pay if you sell the property in your SIPP. If you have any concerns or questions about taxes, we recommend you take advice from an appropriately regulated adviser.

7. Ongoing considerations when holding a property in your SIPP

7.1 Insuring the property

When you invest in property using your SIPP, the property is held as an asset in our pension scheme and we are the registered owner of that property. We must ensure adequate insurance is always in place,

We recommend you investigate the likely cost of insurance cover for any property you're considering. The cost and ability to provide cover may be affected if a property is in poor condition, currently vacant or has known problems. Knowing this early in the process can help your decision making as well as preventing unnecessary expense for you.

We make a block insurance policy available for freehold properties but you can arrange your own insurance cover, subject to it meeting our requirements and payment of an additional fee (set out in our fee schedule). You can move between your own cover and using our block insurance cover, at any time. If you hold a leasehold property in your SIPP and you don't have the option of choosing your own insurer this additional fee will not be applied.

Details of our block insurance policy can be found on our website, and it is important you consider whether the policy we offer meets your needs. The premium will be deducted initially from your SIPP, but in accordance with the terms of the lease, this would normally be refunded to your SIPP by the tenant. If you choose our block insurance policy, we receive a commission payment based on 15% of the insurance premium.

In certain circumstances, the insurers of the block policy may be unable to provide cover for a property. We would recommend you investigate why cover is unable to be provided and consider whether the property is suitable to be included in your SIPP and to be relied on for your retirement savings. You will only be able to include this property in your SIPP if you arrange suitable alternative insurance.

If you arrange cover yourself, it must name BW SIPP Trustees Limited as a policyholder, include 36 months rental cover and £5m public liability cover. We require a copy of the insurance certificate following each annual renewal (or change in policy).

If there is a risk of a gap in insurance cover, you do not provide us with evidence or if the cover you have chosen is insufficient, then we will insist cover is provided under our block insurance policy.

If you choose to arrange your own insurance cover, any work we carry out in respect of your own insurance, including arranging payment, checking that the cover is suitable and updating our records, will be charged at our normal hourly rate.

7.2 Tenants

We always recommend you have a tenant in the property, whether in situ at the time of purchase or one lined up for immediate occupation (ready to sign our tenancy agreement). When a property does not have a tenant in place, not only will no rental income be received, but additional costs can apply to make sure the property remains secure and insured (see page 20).

Importance of tenancy agreements

Any occupation of the property must be formally documented by a legal agreement, for example a lease, a tenancy at will or a farm business tenancy. This will need to be drafted by a solicitor or other qualified legal professional in a form acceptable to both us and the SIPP's instructed legal advisers. Any tenant will be expected to always comply with the terms of the legal agreement in place at the property, including complying with repair, condition and maintenance obligations.

Licences to occupy (or their equivalent) are not appropriate to document occupation of the property. A licence should only be used to grant permission for a grantee to do something for a specific purpose such as alterations or access, and should not grant exclusive possession and/or security of tenure.

If not already in place, the tenancy will usually be entered into on completion of the property purchase. Where your SIPP is purchasing a property with a tenant in situ, the terms of the existing tenancy must be acceptable to us. If a connected party is already the tenant at the property at the point of purchase, a new approved tenancy must be entered into at the same time as completion of the transaction. This is to ensure the tenancy is on arm's length terms. If the existing tenant is not a connected party and their existing tenancy terms do not meet our requirements, we reserve the right to refuse the property with the existing tenancy or to request a formal variation to the terms.

As the SIPP provider, our sole purpose is to hold the scheme assets for the beneficiaries of the SIPP. Whilst we act for all members equally, we must ensure any liability arising from letting of a particular property must be limited to the SIPP associated with the property and does not impact another member's SIPP. **This is particularly relevant if we have to take legal action, such as when rent due on a property is not being paid (see page 19).**

We therefore insist a limitation of liability clause is included in all purchase, transaction, landlord and tenant documentation. When entering into any new tenancies, purchasing a long leasehold property or purchasing a property subject to tenancies, it is essential this is discussed and agreed with the relevant parties (usually the sellers and their representatives). We cannot proceed unless liability is limited in this way.

New tenancies

When a property is purchased by your SIPP, you will have informed us about the existing or proposed tenant. We must also, as landlord and owner of the property, be involved in arranging any tenancy agreement and/or changes to the original tenants. We have our own standard tenancy agreement which must be used in all new cases.

Please contact us as soon as you know there will be a new tenant in the property. You'll need to send us a completed Lease Questionnaire so we know the full details of the new tenant, your instructions for this tenancy and to allow us to carry out diligence checks. We do not undertake credit checks on tenants, but you can request (as we can) additional security such as a rent deposit or bank guarantee, or for guarantor(s) to be made party to the tenancy. You are responsible for ensuring the suitability, financial or otherwise, of any tenants and tenant guarantors.

Single and multiple occupancy

You may choose to let the whole property to a single occupier or, if the property is capable of being divided into parts, to multiple occupiers. In all cases, an appropriate tenancy needs to be in place because unauthorised occupants will result in a breach of both our and HMRC's requirements and may result in significant tax penalties to your SIPP.

We'd always recommend the appointment of a professional property manager where properties are let to multiple tenants due to the increased administrative burden.

Assignment, subletting and sharing

Depending on the terms of the tenancy, the tenant may request they sublet all or part of the property, assign the tenancy to someone else or share occupation of the property.

In our role as landlord, we must be notified in advance and give written consent to any subletting, assignment or sharing of occupation request before they take place. These changes must be formally documented by a solicitor or other qualified legal professional, so all relevant processes and checks are carried out. It is essential we always know who or what is in occupation of the property and can be sure the property will be looked after in the same way as originally agreed in any tenancy.

Rent reviews

If we know the rent review date, we will notify you when it's due. This could be up to a year in advance of the date and the responsibility for any review taking place is yours and/or any property manager.

Tenancies will often contain terms for rent to be periodically reviewed, especially if they are for a period of five or more years, although more frequent reviews are possible. The terms may also require review on an open market basis to ensure your SIPP is benefiting from the current market value rent.

If you're the tenant, or are connected to any of the tenants, we're required by HMRC to ensure rent is paid at market value. If a connected tenant is allowed to benefit from lower rent, then tax penalties will apply to your SIPP.

You can choose to waive the right to require a rent review if you are not connected to any of the tenants,

Whether we notify you a rent review is due or you proactively carry a review out (or decide not to carry one out), you will need to formally document the outcome and send us evidence for our records.

While the cost of all rent reviews will be met by your SIPP, the process is beneficial in the long run as it will ensure your SIPP benefits from payment of market value rent.

Rent arrears

It is our duty to chase non-payment of rent and act where we are unable to recover the funds ourselves. We will take legal action where required and solicitors, including those on our existing panel, regularly support us in our duties relating to arrears on properties across all UK jurisdictions. There are significant costs associated with legal action which will be passed on to your SIPP.

We understand circumstances change and there may be good reason for a rental payment to be missed. However, non-payment of rent could have a significant impact on the value of your SIPP and your overall retirement plan especially if it happens regularly. If rent is unpaid for a prolonged period, it may indicate a tenant is in financial difficulty which may mean action needs to be taken to recover owed rent, as well as the risk that future rent is unpaid.

Where you are 'connected' with any tenant, we are also required to report non-payment of rent to HMRC, and this situation could potentially lead to high tax charges which your SIPP will need to cover. **We take our responsibilities to HMRC seriously and will take action on arrears to protect the value of your SIPP and the other members in the scheme.**

If you're the tenant and believe you're unlikely to be able to make current or future rental payments, it is very important you contact us as soon as possible as your landlord. If we understand your situation, we can work together to agree the next steps. You may be considering non-payment of rent as a way of improving your cashflow, perhaps as a short-term fix. However, there are serious consequences in doing this which may result in significant tax charges for your SIPP and for you personally.

If you have a tenant who has already missed a rental payment, or is likely to in the future, we understand that you, or your appointed property manager, may take steps to collect outstanding rent. However, you must let us know if this situation happens, even if you are confident the action you are taking will result in the outstanding arrears being paid. We understand businesses fall into financial difficulty but if the arrears mount up (alongside any other debt the business may have), and the tenant goes into administration, the arrears may never be repaid. Informing us means we can act together to recover the arrears for your SIPP, supporting you in removing the tenant and installing a new tenant.

Please also remember that rent will still need to be paid on a property even after your death or the death of a tenant. Rent arrears can quickly mount up whilst an estate is being settled or any transfer to beneficiaries is made, and whilst it might not be the priority of the next of kin, the impact of arrears can become significant at an already difficult time.

We cannot provide you with advice regarding tax and HMRC practice. We recommend you speak to an appropriately regulated adviser.

Terminating a tenancy during the term and the end of a tenancy term

There are numerous ways to terminate a tenancy during the term. Often a landlord and tenant must abide by strict timescales for a property to be vacated and, depending on jurisdiction, these will be set out in either the tenancy, statute or at common law.

The tenancy may contain a break clause which can be exercised by one or either party. The parties may also come to an agreement to surrender the tenancy on agreed terms. The tenancy should always contain a forfeiture or irritancy (in Scotland) clause, which allows a landlord to peaceably re-enter or go to court to bring forfeiture/irritancy proceedings, although this is only available in certain circumstances and there are procedural restrictions.

Whether you'd like the tenant to vacate the property before, or at the end of the term, we'd ideally like to know at least six months in advance. This will allow plenty of time for all relevant procedures to be followed and the appropriate professionals instructed, including the property inspection in case of any dilapidation claim.

We must always be involved in arranging any new tenancy agreement and will use our own standard tenancy agreement alongside your instructions for the tenancy.

If we haven't heard from you, we will contact you in the twelve months leading up to the end of a current tenancy and you will be asked for instructions on what you would like to do.

The action required at the end of the term of the tenancy depends on:

- where in the UK the property is
- the terms of the tenancy
- whether the tenant is connected or unconnected.

In all cases, our preference is for a new tenancy to be completed, whether with the existing tenants or new tenants, and we need to be notified and involved in the relevant process.

Vacant properties

If a property becomes vacant, either because you have chosen to leave it vacant or there is no current tenant, it is essential there is sufficient liquidity in your SIPP to ensure ongoing costs are met. These costs include insurance, third party fees, our SIPP fees and, where applicable, service charges, business rates and loan payments. We also charge an additional annual fee after the property has been vacant for 30 days.

When a property is vacant, you'll need to make sure there is enough cash held in your SIPP to cover these costs. The amount will depend on the scale of the expected charges and we will discuss this with you when you inform us that the property is/will be vacant.

If a property is vacant, a monthly or quarterly (if bare land) inspection by a third-party professional will be required. This ensures the property remains secure, in a good state of repair and has not been vandalised, is protected from trespassers, unauthorised occupation, fly tipping or dumping of waste, is not at risk from fire or other combustible materials, and to ensure compliance with the terms of the insurance policy,

These inspections help protect the property and ensure insurance cover remains valid, protecting the value of your SIPP and retirement savings.

Any vacant property inspections will be carried out by our approved professional inspection company, and you must make certain they have clear and safe entry to the property. To ensure your SIPP's terms and conditions and minimum vacant property insurance requirements are met, all inspectors will:

- Undertake monthly/quarterly internal and external inspections. A record of all inspections will be maintained, made available to us and supplied to insurers on request.
- Ensure the building(s) or land is kept secure and, where relevant, all external doors are kept securely locked, letter boxes are blocked, water drained and electric and gas supplies are shut off. The presence of trespassers will be recorded.
- Monitor the general state of repair of the building. Any defects in the state of repair of the building, or security/alarm or fire protection will be recorded.
- Manage potential fire risks by removing all combustible materials from the premises and externally from the site.

All costs associated with any inspections and remedial works will be met from your SIPP, and we will normally obtain your approval in advance of any work and expenditure.

If we are notified of risks to security, compliance with statutory obligations or risks to the public, we will ensure the rectification is undertaken in a timely manner and may instruct completion of the work without your approval.

It is important no one uses the property without our knowledge as this will have implications on the insurance cover and will breach HMRC requirements which will lead to tax penalties. Please contact us if you decide to occupy the property yourself or have found a new tenant, and we can arrange a new tenancy agreement (see page 18).

7.3 Taxes related to property transactions

These are in addition to the purchase taxes detailed on page 14.

Value Added Tax (VAT)

Understanding the VAT situation with the property you are looking to purchase with your SIPP is imperative as the tax implications can be significant and we recommend you obtain specialist advice. You must let us know how the property is to be treated for VAT purposes by completing the relevant section in the Property Purchase Questionnaire. The tax position must be fully resolved to our satisfaction before any purchase may progress.

Any rent your SIPP charges will also be subject to VAT and quarterly VAT returns will be required.

If a property is solely owned by your SIPP, we can complete these returns for that property. If there are co-owners, we will require you to appoint a professional with appropriate indemnity insurance to complete these returns.

Please ensure you/your property manager provide us (or the professional) copies of all invoices for both rent invoices issued and expenses paid required to complete the returns.

If your proposed property is opted to tax

Your proposed purchase may have already been opted to tax (charge VAT on), meaning VAT will normally need to be paid on the purchase price of the property. It's your responsibility to check if this is the case. Your SIPP can borrow money to cover the VAT liability, but the loan must be within the 50% borrowing limits (see page 10). The VAT can be reclaimed but the payment from your SIPP will still have to be made, and it can sometimes take months for VAT reclaims to be processed by HMRC.

To reclaim the VAT your SIPP will need to be registered for VAT and the property will need to be opted to tax by us. Your SIPP will then need to complete quarterly VAT returns, which can be completed by us or a VAT specialist. This might delay the purchase as we will have to wait on confirmation from HMRC that this has all been set up correctly before the purchase can complete. This will also mean VAT will have to be charged on the rental income and some expenses, such as the property insurance, which may make the property less desirable to tenants who are not VAT registered themselves, and so unable to reclaim the VAT charged.

Your SIPP will not be able to recover the VAT on the purchase price if you decide the SIPP shouldn't be registered for VAT and the property shouldn't be opted to tax.

If not opted to tax

When the property has not been opted to tax (charge VAT on) by the seller, then VAT will generally not be payable on the purchase price although some exceptions do exist.

Transfer of a business as a going concern (TOGC)

If the purchase of the property qualifies as a TOGC, then VAT may not be payable on the purchase price if your SIPP's been registered for VAT, and the property opted to tax (in the correct way) by both the seller and your SIPP. To qualify as a TOGC there must be a lease in place when the property is sold, which is to remain in place after the sale. We will need confirmation this has been completed before the transaction can take place and it may take longer than expected.

HMRC can overrule treatment as a TOGC after completion, with VAT then becoming payable to the seller from your SIPP. This would again require funding from your SIPP until the VAT is reclaimed from HMRC.

Capital allowances

Capital allowances enable the owner of a property to offset some of the costs of ownership against the tax charged on the rental income. As SIPPs do not pay any tax on the rental income, your SIPP will be unable to take advantage of this but the benefit can still be passed on to the next owner of the property, which may influence the future sale price and marketability of the property.

If the property you are purchasing currently benefits from capital allowances, or if you are not sure whether it does, you should discuss this with your adviser to ensure these rights are protected for future owners. There are a number of steps to be carried out prior to the purchase, and when the purchase completes to protect any capital allowances for future owners.

7.4 Property development, alteration and refurbishment

Property in your SIPP can be developed, altered or refurbished provided no residential element is added. If you wish to carry out any residential development, the property must be removed from your SIPP before this takes place. Land can also be purchased and used to develop commercial premises.

You can use funds from your SIPP and/or arrange borrowing to carry out this work (see page 10).

Any funding required for the works and associated costs, must be held within your SIPP before any development, alterations or refurbishment is agreed or documented. Any improvements must be of a long-term nature rather than for the benefit of an individual tenant's business (which a tenant can carry out as improvements under the terms of the tenancy).

Your SIPP cannot hold land intended for development simply in anticipation of that future development. This would be deemed trading by HMRC and subject to tax charges.

Approving your proposed improvements

We need to approve any type of development, alteration or refurbishment work to decide whether it is suitable and be fully involved in the complete process. We will assess the implications for investment value and rental value, planning requirements, tax and (where appropriate) instructing the appropriate professionals.

Please complete and return our Property Development Application. Your application should be submitted before any work is started or costs are incurred. If you are buying a property with the intention of developing it when the purchase completes, we will need this information before we agree to the purchase.

Key aspects of our assessment include:

- full details of the work with supporting plans and, if the changes are comprehensive, a detailed programme demonstrating who is carrying out the work and who is responsible for costs
- confirmation from a professional valuer that it is reasonable for your SIPP to pay for the work, so we can demonstrate to HMRC the work can be properly paid for through a pension fund
- where the property already has a lease, a valuation from a professional valuer to confirm your SIPP will benefit from an increased rent when the work is complete, with any tenancy terms varied accordingly
- full details of all estimates and costs, including quotations from at least two contractors to compare costs and ensure your SIPP is charged fairly
- obtaining suitable professional advice and instructing us about that advice so we can act accordingly
- whether appropriate planning permissions and building regulations consents are in place
- that work will be completed by a single, independent contractor, unless agreed with us, to ensure the works are fairly priced
- instruction, by us, of the contractor to complete the works and (where applicable) with a full and appropriate construction package (building contract, appointments, warranties, guarantees, reliance letters, etc.) in place
- the appointment of a qualified architect or project manager (where applicable and for major work) to act for us to complete the legal and other construction documentation, and ensure delivery
- that any contractor is a member of the Construction Industry Scheme, with all tax details provided to allow settlement of any costs from your SIPP

In most cases, VAT is payable on any building work. The VAT can be reclaimed if your SIPP is registered for VAT and the property opted to tax (in the correct way). The payment from your SIPP will still have to be made and it can sometimes take months for VAT reclaims to be processed by HMRC.

Paying for your proposed improvements

It's not always clear who can pay for improvements to a property in a SIPP, especially when the property is being let. The type of property and the conditions of the lease are just two examples of what can affect how any improvements are paid for. This is why it's essential that we, as the landlord, approve any proposed improvements submitted by you in the Property Development Application before you start work and incur any costs.

Glossary

Arm's length

The condition or fact that the parties to a transaction are independent and on an equal footing, or act as they would if they were independent buyers and sellers with no shared interest. The concept of an arm's length transaction is to ensure that both parties in the deal are acting in their own self-interest and are not subject to any pressure or duress from the other party.

Client money account

A common bank account in our name with our chosen bank(s), which is used collectively for all scheme members and in which cash is held as client money in accordance with FCA requirements.

Commonhold

Commonhold is a system of property ownership in England and Wales, which was introduced in 2002 as an alternative to leasehold. It involves the freehold tenure of part of a multi-occupancy building (typically a flat) with shared ownership of, and responsibility for, common areas and services.

Connected party/ies

Connected parties are certain relatives, trustees, partners and companies. Where a transaction takes place between your Howden SIPP and a connected party, it must be made on arm's length terms.

A person is connected to an individual if that person is the individual's spouse or civil partner, a relative of the individual, the spouse or civil partner of a relative of the individual, a relative of the individual's spouse or civil partner, or the spouse or civil partner of a relative of the individual's spouse or civil partner. "Relative" is defined as brother, sister, ancestor or lineal descendant. Relative does not cover all relationships; in particular nephews, nieces, uncles and aunts.

A company is connected with another person if that person is the manager of the company or otherwise concerned in the management of the company's trade or business, and if that person either on their own, or with one or more of their associates (including any individual listed above) the beneficial owner of, or able, directly or through the medium of other companies, or by any other indirect means, to control not less than 20% of the ordinary share capital of the company.

A person is connected to any person he/she is in partnership with, and the spouse or civil partner of any person he/she is in partnership with, and a relative of any person he/she is in partnership with.

Feuhold

Property in Scotland is generally owned outright by the vendor similarly to freehold in England. Before November 2004, property was held as feuhold and subject to the rights of the feudal superior. These rights were abolished on 28 November 2004 and the term feuhold was discontinued. Property owned outright by a vendor can be subject to the terms of a lease and the same checks should be made as for freehold properties.

Financial Conduct Authority (FCA)

The Financial Conduct Authority, or any replacement regulatory authority or authorities, is an independent, non-governmental funded body given statutory powers by the Financial Services and Markets Act 2000 (as amended by the Financial Services Act 2012) to regulate the financial services business in the UK. The operator is authorised and regulated by the FCA, and its registration number is 458323.

The FCA's contact details are:

Financial Conduct Authority
12 Endeavour Square
London
E20 1JN

 www.fca.org.uk/contact

 0800 111 6768

Financial Ombudsman Service (FOS)

An independent, levy funded body that considers complaints between consumers and financial firms. The FOS contact details are:

The Financial Ombudsman Service
Exchange Tower
Harbour Exchange Square
London
E14 9SR

 www.financial-ombudsman.org.uk

 complaint.info@financial-ombudsman.org.uk

 0800 023 4567 or 0300 123 9123

Freehold

Freehold property is owned outright by the vendor and is sold with 'title absolute' – that is, the right of ownership of the land (and any buildings) in perpetuity. Freehold property may be sold with a lease and an existing tenant, or it may be sold without any occupants.

In specie

The transfer of the legal ownership of an asset other than cash (for example, property or shares) without undertaking any sell or buy transactions.

Leasehold

Leasehold property is not owned outright. The leaseholder has a lease from the freeholder (or landlord) to use the land and any buildings for a set number of years. The lease can be short-term, but is usually long-term (125 years or even 999 years). Property in Scotland can be held under leasehold subject to a maximum term of 175 years, but such holdings are less common.

Legislation and regulation

The rules and regulations of the FCA, and any statutes, statutory instruments and other legislation that apply to us and to the scheme. Where legislation and regulation are amended, references to legislation and regulation are to be construed as incorporating any amendments.



Member

Any person who has completed an application for membership of the scheme, and has been confirmed as a member of it by the operator.

Operator

BW SIPP LLP (company number OC322417). The operator is the administrator of the scheme, and is responsible for carrying out all the duties and functions required by the FCA, HMRC, legislation and regulation relating to the day-to-day running of the scheme.

Red Book Valuation

A Red Book valuation refers to a property valuation carried out in accordance with the global and UK standards set out in the current Royal Institution of Chartered Surveyors (RICS) member's code of practice known as the Red Book.

Registered pension scheme

A pension scheme that has been registered with HMRC under Chapter 2 of Part 4 of the Finance Act 2004 in order to qualify for certain tax reliefs.

Scheme

The Howden Self Invested Personal Pension, previously known as the Barnett Waddingham Self Invested Personal Pension, is a registered pension scheme and is established and governed by a trust deed and rules.

Self Invested Personal Pension (SIPP)

A personal pension which allows the individual to have more control over the manner in which the assets are invested. SIPPs permit a wide range of investments and offer flexible retirement options.

Tax relief

In most cases, personal or third-party (but not employer) contributions to your SIPP with Howden will receive tax relief. We currently reclaim £20 from HMRC for each £80 (net) that you contribute to your SIPP with Howden. This is added to your SIPP funds. Additional income tax relief may also be available if you are a higher or additional rate tax payer and corporation tax relief for employers making contributions. Scottish residents, higher or additional rate tax payers may claim additional tax relief through a self-assessment tax return, or directly from HMRC themselves.

Trust deed and rules

The legal document which establishes the scheme and sets out how it is governed.

Trustee

BW SIPP Trustees Limited (company number 03011174), is a non-trading company set up to act as a bare trustee of the scheme and referred to in the trust deed and rules as the 'asset trustee'. Its sole purpose is to hold the scheme assets for the benefit of the scheme members. The trustee is not responsible for the day-to-day running of the scheme and as such is not regulated under the Financial Services and Markets Act 2000.



If you have any queries relating to holding property in your SIPP with Howden please contact us as follows:



0330 128 9887



propertyteam@howden-group.co.uk

www.howdengroup.com/uk-en/sipp

Howden SIPP is a trading name of BW SIPP LLP, which is part of the Howden Group. Registered in England and Wales under company number OC322417, with its registered office at One Creechurch Place, London EC3A 5AF. Authorised and regulated by the Financial Conduct Authority (FCA) Financial Services Register No 458323. The Financial Services Register can be accessed through www.fca.org.uk.