

# Commercial Property Shared Ownership SIPP

## AT A GLANCE

The Sanlam Investments and Pensions shared ownership facility enables part of a property to be held in the OneSIPP and the remainder to be held in joint ownership with another party (the 'other party') subject to our criteria

**Important information:** This document is for use by financial advisers only. It is not intended for onward transmission to a private customer and should not be relied upon by any other person. The information contained in this document is correct as at 1 October 2018. We reserve the right to review our charges from time to time.

### Why use Sanlam Investments and Pensions?

- Combining this with other facilities such as the VAT option could change a previously unfeasible proposition into a viable one.
- Shared ownership can be used to gradually bring a property into the OneSIPP.
- The deal can be structured in a way that releases the cash held in the pension fund. A part purchase can be useful if the member/member's business requires liquidity for cash flow purposes.
- Alternatively, part of the property can be acquired as an in-specie property contribution.
- Sanlam Investments and Pensions is one of the longest-running providers of shared ownership and has a breadth of experience with such transactions.
- Panel solicitors who are familiar with Sanlam Investments and Pensions' requirements will act for both parties when purchasing (as purchasers of) the property to streamline the transaction.

### Shared ownership criteria

**Sanlam Investments and Pensions is able to share ownership with:**

- a member of the Sanlam Personal Retirement Scheme (scheme member);
- scheme member's spouse or civil partner;
- a company where the scheme member or their spouse or civil partner alone, or with other directors, controls the company;
- partners in a firm where the scheme member or their spouse or civil partner is a partner in that firm;
- a scheme member's parents;
- a scheme member's grandparents (subject to Sanlam Investments and Pensions' approval);
- a scheme member's spouse or civil partner's company where 51% or more of the company is held by those individuals; or

- a scheme member's spouse or civil partner singly or jointly with the member.

The value of Sanlam Investments and Pensions' share of the property on purchase must initially be a minimum of £50,000 and the property will be held as 'tenants in common' with the other party. Subsequent tranches are subject to a minimum property value of £10,000.

### Cost

#### Purchasing from a third party

- All the property acquisition costs will be split proportionately between Sanlam Investments and Pensions and the other party according to the percentage share acquired by each party. These costs may include but are not limited to:
  - purchase price
  - legal fees
  - searches/disbursements
  - Companies House registration fee
  - valuation fee
  - Stamp Duty Land Tax
  - Land Registry fee.
- The product charges/administration fees of Sanlam Investments and Pensions would be met from the scheme member's fund.
- Sanlam Investments and Pensions and the other party must use the same firm of solicitors for the purchase of the property. The firm of solicitors selected will be from our panel.

#### Part purchase of a scheme member-owned property

- All the acquisition costs for the purchase of the property will be met by the scheme member's fund, as the sole 'purchaser'.
- The current owner will need a solicitor to act for them in their capacity as 'seller' and these legal costs will be met by the co-owner personally.
- Purchase must be on an arm's length basis meaning the price determined by an independent qualified surveyor from the Royal Institution of Chartered Surveyors (RICS). If not, this can mean an unauthorised payment is made under pensions tax legislation, incurring a harsh tax penalty.

Sanlam Investments and Pensions requires a Declaration of Trust between the joint purchasers. This sets out the percentage share of the property held by each of the joint purchasers and their corresponding share of income/liabilities relating to the property. The Declaration of Trust also details the events which would trigger a sale of the property. This is prepared by the firm of solicitors acting on behalf of the joint purchasers.

### Other considerations

- Sanlam Investments and Pensions' purchase of any additional share in the property as an asset of the scheme member's fund is not as involved as the initial purchase. A RICS-qualified surveyor's market valuation will be required and the Declaration of Trust will need to be amended to reflect the revised percentage share of the property held by each of the joint owners (other than where Sanlam Investments and Pensions, after the additional purchase, will hold 100% of the property as an asset of the scheme member's fund).
- The proposed tenant for the property will need to instruct a solicitor to act on their behalf in respect of the lease arrangement and the proposed tenant will meet the cost of this.
- The co-owner should operate a separate bank account in their capacity as landlord for accounting purposes.
- Any potential Capital Gains Tax (CGT) liability, which might arise as a result of the sale of part or all of the scheme member's interest in the property, should be referred to the scheme member's accountant. Sanlam Investments and Pensions cannot advise on this.

### Property charges and minima specific to shared ownership

The value of Sanlam Investments and Pensions' initial share of the property must be at least £50,000 at the time of acquisition. The value of any additional transfer must be at least £10,000 at the time of acquisition.

This facility is only available where the ownership of the property is to be shared with Sanlam Life and Pensions UK Limited.

Please refer to our *Guide to Charges* for full details of the applicable charges.

### Value-added tax (VAT)

Each party is responsible for the payment of VAT in line with their percentage share of the property's ownership.

### Non-VATable property

- The proportion of any rental income due to the OneSIPP will be paid to Sanlam Investments and Pensions.

### VATable property

- Sanlam Investments and Pensions must register itself and the other party as a 'partnership' for VAT purposes. This partnership is then responsible for the exercise of any option to tax, accounting for VAT and VAT returns in connection with the property.
- Sanlam Investments and Pensions will make the appropriate registration with HMRC.
- We will instruct a managing agent to handle the VAT accounting from completion. The charge for this is usually £1,500 + VAT each year and will be split between the parties in line with their percentage ownership of the property.
- There will be a Memorandum of Understanding between the joint purchasers setting out the handling of VAT for the purpose of the 'partnership'.
- The whole of the rental income plus VAT will need to be paid to the managing agent, who will then forward on the net amount to the respective owners in line with their percentage share of the ownership of the property and account for the VAT to HMRC.

### Borrowing

- The maximum amount of authorised borrowing by the pension fund is 50% of the net fund value immediately before the borrowing takes place. This is a requirement in the pensions tax legislation. If borrowing goes above this amount, it is classed as unauthorised borrowing and harsh tax penalties are incurred.
- Any loan facility required by each of the joint purchasers must be arranged with the same lender.
- The loan facility for the other party should not exceed 100% of their proportionate share of the property (this is subject to lenders' requirements).
- The funding for the other party is a separate matter and is the responsibility of the co-owner to arrange. We do not get involved in calculating the borrowing for the co-owner, nor the repayment vehicle for the loan.
- Sanlam Investments and Pensions has agreed loan documentation with certain lenders for shared ownership cases. Other lenders can be considered but they will need to agree documentation and an additional fee may be incurred.
- The lender cannot have recourse against the share of the property held by Sanlam Investments and Pensions or any of Sanlam Investments and Pensions' other assets if the co-owner defaults on their loan repayments.
- If the other party is taking out a loan to pay VAT, a term of up to six months should be allowed for before the VAT may be reclaimed.

