A busy transfer window

Nigel Bennett discusses transferring SIPPs with commercial property and some of the ways InvestAcc is helping smooth these transactions

In the past 12 months we have seen a large increase in the number of customers wishing to transfer their commercial properties to us, from other pension providers.

Demand has been partly driven by a glut of firms withdrawing from the commercial property SIPP market, including AJ Bell, Aviva, Scottish Widows and Hartley Pensions.

What are the main drivers to transfer a property?

There are often several issues at play, such as cost, administrative issues, or more recently that the existing provider is withdrawing from the market.

In some cases, the provider may have restricted the type of properties it will consider (or may no longer allow any new property investments) but may be content to allow existing holdings to be maintained, which can be fine until a client wishes to acquire an additional property or a type of property which the current provider no longer allows.

If cost is the main driver, it may take some time to recoup the initial costs of transferring property. In some cases, it may be best to leave it with the existing provider, particularly if a sale of the property is likely in the near term.

Types of acceptable property

Each SIPP firm will make its own decision as to the type of property it allows to be owned by its pension schemes. Our approach is to look at the tax rules and HMRC guidance, and to consider each on its own merits, utilising the considerable experience we have gained in the acquisition of over 3,000 investments in commercial property and land in the UK.

Typical commercial property investments include offices, shops and industrial units but may be more esoteric such as agricultural land, a cricket pitch, football stadium, graveyard, boat mooring, camp site, hotel, public house, school, halls of residence and even a cinema.

As with everything, the detail matters and we would not allow an investment which would trigger unauthorised payment tax charges.

Reducing the legal work involved in transferring property or land

Opting for limited due diligence can save time and costs, while still satisfying the SIPP trustees that the property is acceptable. The main saving is likely to be on the receiving scheme solicitor costs, but it could reduce the need for other items, such as some searches which may have been previously done and reduce the number of questions required about the property.

To illustrate, firms on InvestAcc's solicitors panel offer reduced fees for limited due diligence transactions, compared with standard due diligence.

Here is an example of the legal fees based on £400,000 freehold property transfer, with no mortgage and one unexpired lease to a connected party which needs to be checked as part of the process:

Due diligence level	Freehold transfer	Lease checking	Total*
Limited	£850 +VAT.	£250 +VAT	£1,100 +VAT
Standard	£1,500 +VAT	£250 +VAT	£1,750 +VAT

*The costs above are illustrative, based on InvestAcc panel firms for standard transactions and exclude disbursements and any costs for the transferring scheme.

How do I start this process?

The first step would be to get a decision in principle as to whether the property is likely to be acceptable to the receiving scheme trustees. Many advisers will have an initial conversation with our Property Team or provide a completed Property and Land Questionnaire with a copy of the latest valuation report. From this it should be possible to identify any obvious issues or areas of concern. In most cases, as the property is already owned by a pension scheme, it should be an acceptable asset.

You should also approach the transferring scheme trustees to ascertain their requirements and process for the in-specie transfer. They should be able to provide an estimate of the costs for their side of the transaction, bearing in mind they will almost certainly require solicitors to act for them and they may impose restrictions on who can do this. We don't mind the same firm of solicitors acting for both sides of the transaction, provided they have processes to deal with any potential conflict of interest.

What does InvestAcc charge?

Our simple fee structure is highly competitive and transparent.

We don't make a charge for in-specie transfers, and we offer discounts for groups of two of more individuals with jointly owned property; some costs can be shared among the group, such as property fees and legal costs. There are no additional charges for borrowing, joint ownership or for dealing with VAT registration and returns.

Help is at hand

If you would like to discuss transferring a commercial property, or a potential new purchase, please contact our Sales Team on 01228 538 988 or email sales@investacc.co.uk

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