

Self-Invested Personal Pension

SIPP

Guide to Development Works

Guide to development works

Development of a commercial property or land within a SIPP is possible in certain circumstances, however we must ensure the members interest is fully protected which means that InvestAcc Pension Administration Limited MUST agree any proposed development works BEFORE they commence. We reserve the right to refuse to agree to a development if it appears that they may not be in the best interests of the member or if they are likely to breach HMRC regulations.

In what instances may a SIPP be used to develop land or buildings?

A SIPP may be used to purchase bare land with the intention of property development in the future. It may also be used to develop or improve an existing commercial property which is already owned by the SIPP.

A SIPP is not permitted to hold residential property; it may hold land with the benefit of residential planning permission, the property must be sold before any residential development commences.

What's next?

- Prior to any development works being carried out, any required planning permission must be obtained by you. The SIPP may purchase the property with planning permission already in place, or alternatively you may arrange to obtain planning permission yourself.
- If a lease is in place, we will require a letter signed by the landlord and tenant agreeing that development works may be undertaken and that the works are to be paid for by the relevant member's SIPP. The letter must also confirm that the Tenant accepts that a rent review must be carried out on completion of such works, which would normally result in an increase in rent commensurate with the development spending.
- A schedule of the proposed development works must be provided for our approval IN ADVANCE, along with any quotes received. The schedule needs to include:
 1. Property address
 2. Nature of works
 3. Estimated costs of works - with a fully itemised breakdown
 4. Whether the works require planning consent, and if so enclosing a copy of consent documentation
 5. How the works are to be funded, such as using existing SIPP funds, making contributions, borrowing etc.
- Development works must not be undertaken until all work has been authorised by us.
- If the works are to be undertaken by a connected party, we recommend that you obtain alternative quotes. If HMRC challenges the amount paid and no comparable quotes are available, we will not be held responsible for any unauthorised payment tax charges that may arise.
- All invoices must be authorised by InvestAcc Pension Administration Limited before they may be paid.
- VAT will typically be payable on building works, if we are to recover this, we will need to ensure that the SIPP is registered for VAT and the VAT exemption over the property has been waived. Please ensure that you inform us if you wish us to reclaim VAT so that we may complete the appropriate VAT registration forms prior to commencement of works.
- A SIPP can borrow funds to assist with development works, please remember borrowing cannot exceed 50% of the net value of your SIPP fund. You must ensure that all funds are available to complete the development works prior to entering a development contract. We do not operate a panel of lenders, the SIPP trustees can borrow funds from any willing lender such as a bank or other financial institution, or you may lend to your own pension scheme (so long as any loan is on commercial terms).

Paying invoices

Once agreed, for us to be able to pay for the work carried out, invoices must be sent to us addressed to the SIPP trustees, for example:

Trustees of the Minerva SIPP for Member Full Name (Member Number)

Solway House Business Park
Kingstown
Carlisle
CA6 4BY

Invoices must be clearly set out and we need to be able to see what they cover without the need to make further enquiries. They must match the original schedule of proposed works, or if not, there must be a clear explanation of the reason for the difference.

We will always contact you to confirm that the invoices are correct before payment is made.

If the property to be developed is owned by a grouped SIPP arrangement, payment will be split between the SIPP funds in proportion to the ownership percentage, i.e. if your SIPP owns 25% of a property then your SIPP fund will be responsible for 25% of each invoice received.

Please ensure that we are provided with correct contact telephone numbers, or an email address so that confirmation can be obtained, and payment is not delayed.

What works can my SIPP NOT pay for?

A SIPP cannot pay for fixtures and fittings, for example light fittings, curtains, carpets, signage etc. These are things that would typically be the responsibility of the tenant. There may be other things that your SIPP cannot pay for, we will let you know after reviewing your schedule of proposed development works.

What happens after the development work is complete?

On completion of the development works an updated valuation must be carried out by a RICS qualified surveyor. We will require the following:

1. Current market value
2. Current market rental value
3. Buildings reinstatement value

If a lease is in place, a rent review must be carried out to reflect any change in rental value.

If the works required an Energy Performance Certificate (EPC), or are substantial enough to warrant an updated rating, we will need to be provided with a copy of the new EPC.

Trading

Note that HMRC can class excessive property development as trading, which can come with severe tax charges.

Scheme administration costs

Development of a commercial property or land through your pension scheme is a complex transaction and InvestAcc Pension Administration Limited reserves the right to charge additional fees in respect of development work in instances where this guide is not followed or where the work required by us is excessive, it can be beneficial to batch invoices rather than submit each one individually to ease the administrative burden and costs. If we do need to charge you a higher fee for our work, we will inform you of the reason and the amount accordingly.

Contact us

If you require any further information, please do not hesitate to contact our Property Team on 01228 538988.

Our SIPPs are offered without advice of any kind. A SIPP may not be suitable for all investors. If in doubt you should consult an authorised financial adviser.

InvestAcc Pension Administration Limited is the operator and scheme administrator and is responsible for the maintenance and running of the scheme.

InvestAcc Pension Trustees Limited is the scheme trustee.

The levels of and bases of taxation can change. The value to an investor of any tax benefits will depend on that investor's tax position. Investors should consult their own tax advisers in order to understand any applicable tax consequence.

InvestAcc Pension Administration Limited is authorised and regulated by the Financial Conduct Authority.

InvestAcc Pension Administration Limited is registered in England and Wales, Company number 7118349.

InvestAcc Pension Trustees Limited is registered in England and Wales, Company number 2875892.



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Version 1.7 (January 2024)