

## FACT SHEET

# COMMERCIAL PROPERTY

### WHAT IS A COMMERCIAL PROPERTY

Commercial Property is property that has a commercial use.

### HOW DOES A PENSION SCHEME BUY PROPERTY

Buying a property through a SSAS works pretty much the same as buying the property personally. The key difference is that the money is paid into your pension scheme bank account and the property is owned by your pension scheme, which you are the legal owner of.

### DO I REQUIRE A VALUATION

Yes, we need to appoint (or you can appoint) a Chartered Surveyor to provide a valuation and property status report. Where you buy a property at auction, you must have a valuation in place to complete through your SSAS.

### WHO HANDLES THE LEGAL WORK

We have a panel of solicitors who have particular experience with SSAS and they will handle all the legal work. They will liaise with us on a day to day basis and we will provide you with SMS updates on the progress of your purchase.

### CAN I BUY LEASEHOLD PREMISES

You can buy leasehold premises with a few exceptions. If you are buying a leasehold premise of less than 51 years, then this can be a problem as such leases are regarded as wasting assets by HMRC. We will give specific guidance on this.

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### HOW MUCH CAN I BORROW

Our arrangement with most lenders is that commercial borrowing is at a maximum of 80% loan to value, but best rates are for less than 75%. If you have money outside of the SSAS, you can jointly borrow if you prefer.

You can also borrow with anyone in your SSAS, which works the same way as a joint mortgage.

The borrowing will be subject to credit checks on you, and anyone else you are buying with so make sure everyone's credit rating is ok to get the best deal for you. We will work with you to ensure you get the best deal.

### HOW DO I SELL THE PROPERTY IN FUTURE

The process for selling commercial property is similar to selling residential in that you appoint a property agent to sell the property for you. The proceeds of sale will be paid into your SSAS bank account. There are certain costs you need to consider.

### SELLING COSTS

Solicitor fees – solicitors usually carry out conveyancing for a fixed fee. The fees you pay will also depend on how smoothly the sale goes.

Estate agent fees – Most agents typically charge between 1% and 3% of the property value.

Mortgage redemption fee – if you have a mortgage on your commercial property and you pay this off early, you may be liable to pay a redemption fee.

Removal costs – if you have equipment, furniture etc.. in your commercial property and these are not part of the sale, you will need to arrange for these to be removed at your cost.

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### BUYING COSTS

These can include:

Advice: you will need assistance from professionals, including a commercial estate agent, lender and solicitor.

Stamp Duty Land Tax: you must pay the tax if you buy a commercial property valued at more than £150,000. VAT applies on some commercial properties Mortgage fee and ongoing mortgage payments

You should consider the ongoing costs of maintaining commercial property, these may include: Insurance. Repairs and maintenance. Services, including security and cleaning. Local authority charges, including waste collection. Business rates are often a major consideration for owners of commercial property. They are a tax on non-domestic buildings.

Another factor to consider is energy costs. The vendor will give you an Energy Performance Certificate (EPC).

### RENT AND ARREARS

Commercial Property is generally rented out to businesses who pay the rent directly into the pension scheme bank account.

We monitor the payments received through our online platform and will notify you of any arrears. If there are arrears, we can take this up with the tenant on your behalf.

To protect your rental income, you can request personal guarantees for any defaults and we can assist with pursuing money for your pension fund. Rents tend to be fixed for a term and then renewable at the end of the lease.

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### PROPERTY CLASSIFICATIONS

Commercial property is divided into use classes. You should make sure that any business carried out in the commercial property you plan to buy is in line with its planning use. The following list gives an indication of the use classes:

A1 shops  
A2 financial and professional services A3 restaurants and cafés  
A4 drinking establishments A5 takeaways  
B1 business B2 industrial  
B8 storage or distribution C1 hotels  
C2 residential institutions  
C2A secure residential institution  
C3 homes  
C4 houses in multiple occupation  
D1 non-residential institutions  
D2 assembly and leisure

Properties that fall under C3 and C4 categories can generally not be owned by pension schemes.

### BUSINESS RATES

Certain properties are exempt from business rates. You may not have to pay business rates on: agricultural land and buildings. However, there are strict legal requirements for these exemptions.

You do not have to pay business rates on empty buildings for 3 months. After this time, most businesses must pay full business rates, but this can be waived where the property is being structurally altered.

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### CONVERTING COMMERCIAL TO RESIDENTIAL

Subject to planning considerations, you can (with one caveat) purchase a commercial unit and convert it to a residential property with the proceeds of sale paid into your SSAS.

The caveat is that the property must be disposed of prior to substantial works being completed.

This type of investing has been a very popular route given the relaxation in planning laws in recent years - particularly in respect of premises which were launderettes and light industrial units. Our planning advice panel who are experts in this field that can advise you what to do.

### TAX ON PROPERTY

If a property is subject to VAT you may be able to acquire it as a going concern and this allows the VAT status to continue, although you will probably need a new VAT number which we can arrange.

Sale proceeds and rental income are NOT subject to taxation. This is because your SSAS is registered with HMRC and is classified as a pension fund. Pension funds do not pay tax on gains and investment income.

We do not permit pension funds to be used to trade in property, this is because you will lose certain tax privileges. Trading is effectively operating your SSAS as a property business. If you wish to operate a property business, this must be done outside of the SSAS, but your SSAS pension scheme can invest into that business.

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LIQUIDITY

Liquidity is an important area. For example, if a tenant moves out of a property you remain liable for the costs of the property, including rates. You will also want to take the income to pay you a pension in the future.

You need to ensure that you have a safety net of cash to meet liquidity requirements. There is not a hard and fast rule but you need to ensure that you have sufficient margin for periods when the property is not income producing. This will also be important to a lender that mortgage payments can continue in the absence of a sitting tenant.

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