

Commercial Property Buy-Out Guide

Applies to:

- Modular iSIPP (Modular iPlan)
- Private Client SIPP
- Wrap SIPP
- James Hay Partnership SIPP
- IPS SIPP
- IPS (2008) SIPP
- IPS Family SIPP
- IPS Pension Builder SIPP

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IMPORTANT INFORMATION

Commercial property may only be purchased by your SIPP in certain circumstances. Before reading this guide, please refer to the Property Purchase and Management Options table below to ascertain whether the option to buy-out a property is available to you. This table also shows for different scenarios whether properties may be allowed to be self managed by the SIPP member or managed by CBRE, our appointed managing agent.

Property Purchase and Management Options

Scenario	MODULAR ISIPP (opened on or after 05/12/14)	MODULAR ISIPP (opened before 05/12/14)	PRIVATE CLIENT SIPP	WRAP SIPP (opened on or after 05/12/14)	WRAP SIPP (opened before 05/12/14)	IPS SIPP IPS (2008) SIPP IPS FAMILY SIPP IPS PENSION BUILDER SIPP	PARTNERSHIP SIPP
I am a new ¹ or existing member of a SIPP. Can I buy out another SIPP member's share of their self managed property and continue to self manage it?	NO	YES	NO	NO	YES	YES	YES
I am a beneficiary of a pension sharing order or death benefit. Can I continue to own and self manage the property that is currently held and self managed in the SIPP of which I am a beneficiary?	NO	YES	NO	NO	YES	YES	YES
I am a new ¹ or existing member of a SIPP. Can I buy out another member's share of their CBRE managed property and continue to have it managed by CBRE?	YES	YES	YES	YES	YES	NO	YES
I am a beneficiary of a pension sharing order or death benefit. Can I continue to own the property that is currently held in the SIPP and managed by CBRE if I am a beneficiary, and continue to have it managed by CBRE?	YES	YES	YES	YES	YES	NO	YES

¹ New applicants will be required to complete a SIPP application. To open a Modular iSIPP please apply online at www.jameshay.co.uk. To open a Wrap SIPP please complete an application form, also available at www.jameshay.co.uk.

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This guide has been written to help you understand the processes involved in a property buy-out. This is when a member(s) of a SIPP may, from time to time, wish to change the proportion each SIPP owns, introduce new members or allow members to exit. It is however, only a guide. All property transactions must satisfy HM Revenue & Customs (HMRC) and other regulatory requirements, as well as our own requirements. These may vary from time to time.

Please read this guide carefully. These notes are for your guidance only and do not constitute advice. We will administer each case taking into account its particular requirements.

If you have any further questions please call your Service Executive Team or our general helpline 03455 212 414.

Glossary

When the following words are used in this guide, this is what they mean:

Connected party: as defined under s 161(8) Finance Act 2004, ss 993 to 995 Income Tax Act 2007 and ss 450, 1122, 1123 and 1124 Corporation Tax Act 2010, connected parties are members, close relatives, partners or any company associated with a member or their family

Valuer: means a person who is a qualified member of the Royal Institution of Chartered Surveyors (RICS) or equivalent body

SIPP: any of the relevant SIPP products offered by James Hay Partnership, as detailed on the front page of this guide

We/Us/Our: refers to any of the Trustee Companies associated with James Hay Partnership

You/Your: the SIPP member(s).

Introduction

The mechanics of a SIPP fund buying out another SIPP fund's interest in a property investment are explained below.

If you wish to disinvest all or part of your share of the property investment, the fund of the remaining member(s) could buy that share.

If the existing members do not wish to purchase your share, a new member or members could acquire your share using funds held in the SIPP. The SIPP belonging to a new member must be held with the same trustee and must be the same product.

Your instructions to us

We will need a Commercial Property Buy-Out Instruction Form (found on page 5), signed by all existing members and any new members. This form lets us know exactly what you are asking us to do, the date the buy-out is to be performed, details of the solicitor to be instructed (if legal

work is found to be necessary), and confirmation of which SIPPs are to pay the legal costs and our own fees. The date the buy-out is to be performed must be within 12 months of the date of the property valuation (please see below for details of the property valuation required).

Property Valuation

We will need a Valuer's written report addressed to us, and you may choose the valuer. The valuation must be carried out in accordance with RICS guidelines and recommendations. The valuer must not be connected to you, or any other members. The report must confirm the current Market Value of the property in its present condition and subject to the existing lease(s), if applicable.

The SIPP fund will pay any costs associated with obtaining this report, which is required to enable us to determine the value of the current percentage splits of the existing members and how much would be needed to buy-out the value of the share of the exiting member(s). The buy-out must take place within 12 months of the date of the valuation, or an updated report will be required.

Funding

Funds may be introduced by way of contributions and/or transfers-in from other schemes and/or limited borrowings, which, together with any existing funds, would need to be at least equal to the value of the interest being acquired plus costs. An ad-hoc valuation of the SIPP may be required for this purpose.

If you intend to borrow money to fund the buy-out, the loan must be provided by a commercial lender and acceptable to us. The loan offer must be addressed to the Trustee(s) of the SIPP.

Borrowings are calculated as follows:

- The permitted borrowing is calculated as being 50% of the net fund value, as at the date of drawdown from the lender.

- The actual amount that can be drawn at any particular time will be the permitted borrowing less the outstanding amount of any existing borrowings.
- The net fund value is the value of the fund not including the property about to be bought and after deducting the amount of any existing borrowings.

Please note: If there is an existing loan, the portion applicable to the share of property interest being “sold” may be repayable to the lender.

If the buy-out is as a result of the death of one of the members, the buy-out date will be as at the date of death.

Existing Loans

The valuation exercise carried out by us takes account of any outstanding loan secured on the property and we will approach the lender to obtain a loan redemption figure at the date proposed for the transfer. The portion of the loan applicable to the share of property interest being transferred may be repayable to the lender. You are responsible for taking into consideration any breakage costs that the lender may apply. The transaction may also attract Stamp Duty Land Tax (SDLT)/Land Transaction Tax (LTT)/Land & Buildings Transaction Tax Return (LBTT) which will be payable by the buying fund(s).

Even if additional borrowing is not required we may still need to contact the lender for their approval to the buy-out, (their security will be affected) and to ask them to arrange for the existing facility and legal charge to have the exiting member’s details removed, and to add in the names of any new members. We ask for this to be done by way of a side letter, however some lenders insist on new documentation being completed in which case we will instruct a panel solicitor to act on behalf of the Trustee(s) and the cost will be payable by the SIPP funds (see Note 1).

New Borrowing

If additional borrowing is required to assist the buy-out, we will check whether the rental income can support the loan repayments. If a loan is required, please supply the contact details of the lender you are using. If you have an existing loan, your new loan must be with the same lender.

All members should be aware that because the Trustee(s) for the property as a whole undertakes the borrowing of money, the cost of the borrowing will be met by the

SIPP fund. There will be a separate annual mortgage administration fee for any new loans taken out. This will be charged to the property cash account.

Note 1: The net borrowing will be the borrowings for the acquisition less the loan amount repayable relating to the portion being transferred.

Instructing Solicitors

Depending on which members are registered at HM Land Registry, it may be necessary for a solicitor to be instructed to update the registered title.

As a result, legal documents such as a transfer deed, SDLT/LTT/LBTT etc., may need to be prepared and the costs will be payable by the SIPP fund. Please bear in

mind that if repeated buy outs are carried out, HMRC may consider these linked and this may have an impact on the overall amount of SDLT/LTT/LBTT payable and possible penalties. We will instruct a solicitor from our panel to undertake any legal work involved.

Details of our panel are available via the commercial property page on our website. If the incoming and/or outgoing members' business is also the tenant of the property, a Deed of Variation may need to be drawn up by the solicitor to reflect the change of tenant.

However, the tenancy of the building is not connected to the SIPP ownership and this is a separate matter for the tenant and its advisers. The costs are not payable by the SIPP funds but by the tenant.

Calculation

Once we have all the information we need, we will undertake the buy-out calculation to confirm the amount of money that will be needed to complete the buy-out. The members will be asked to give their approval to the funding required prior to our completing the transaction. If the approval of the members is not provided within 4 weeks, a new buy-out calculation will be required.

In this instance, additional charges per calculation will become payable. Furthermore, if a revised calculation is required because your requirements change, additional charges will become payable.

Charges

Please refer to the charges schedule for your SIPP for details of all our charges including those relating to property.

Commercial Property Buy-Out Instruction Form

Please note that all members involved in the transaction, both current and prospective, must sign the buy-out form.

1. Name of pension product in which property is held

- | | |
|----------------------------------------------|---------------------------------------------------|
| <input type="checkbox"/> Modular iSIPP | <input type="checkbox"/> IPS SIPP |
| <input type="checkbox"/> Private Client SIPP | <input type="checkbox"/> IPS (2008) SIPP |
| <input type="checkbox"/> Partnership SIPP | <input type="checkbox"/> IPS Family SIPP |
| <input type="checkbox"/> Wrap SIPP | <input type="checkbox"/> IPS Pension Builder SIPP |

2. Property address:

3. We confirm that the following member(s) wish to disinvest their share of the above property Investment:

Member name and number	% Share of property

4. We confirm that the following member(s) wish to acquire the following share of the above property Investment:

Member name and number	% Share of property

5. We will instruct (name and address of Valuer)

to undertake a Market Valuation of the property. The valuation report and invoice will be addressed to the relevant Trustee.

6. The date that the buy-out is to take effect is: (please see below)

The effective date of the buy-out will, in most cases, be the date of the valuation report referred to above. If this is to be the case, please enter the words 'valuation date' and we will update this once we have received the valuation.

If the buy-out is due to the death of a member, please enter the date of death.

If you wish the effective date of the buy-out to be at an alternative date to the valuation date, please enter the date above but please note it must be within 12 months of the date of the valuation report.

Please note that we will instruct one of our panel solicitors to act on behalf of the SIPP.

7. Please note you are allowed to borrow up to 50% of your net SIPP fund value, less the outstanding amount of any existing borrowing. If you require a loan, please confirm the loan details. If you are a tenant, please note that your new share of the rent must be able to support loan repayments for all existing and new borrowing by 130% for variable rate loans and 110% for fixed rate loans.

Borrower's name and address

Loan amount

£

8. Please note that there will be fees in connection with the buy-out. Please confirm which members are to pay for these and in what percentage.

Member name and number % Share of fees

For JH Partnership/IPS/IPS2008/Pension Builder products only.

Full name of tenant

Annual rent amount

£

Frequency of payments

Account details to which the rent is paid:

Sort Code

-

-

Account number

I enclose the following: (please tick)

- Copy of insurance schedule
- Copy of external SIPP account statements

Please confirm the amount outstanding as at the intended buy out date, including daily interest rates:

Amount of loan outstanding

£

Daily interest rate

£

Date rent is paid up to

-

We will not commence the buy out process until we are in receipt of the above information.

9. Signed by member(s)

Date

D	D	M	M	Y	Y	Y	Y
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We are able to provide literature in alternative formats. For a Braille, large print, audio or E-text version of this document call us on 03455 212 414 (or via the Typetalk service on 18001 03455 212 414).

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