

## SIPP/SSAS Property Information Form - Your questions answered

This document answers some of the questions you may have about the SIPP/SSAS Property Information Form that we have asked you to complete.

If you have any questions not covered by this document, please call us on **03333 205 861** or email us at [propertyreturns@jameshay.co.uk](mailto:propertyreturns@jameshay.co.uk).

### Q Why am I being asked to complete a SIPP/SSAS Property Information Form?

Rental income received for properties held in these types of pension schemes are reportable to Her Majesty's Revenue & Customs (HMRC) by way of a Pension Scheme Return (PSR), which we are required to undertake annually. The information you provide will enable us to complete the PSR.

In addition, we require that for a self-managed property within our schemes, we must be informed of any changes that impact on the property, such as alterations to the physical property, costs associated with maintenance and renovations, ownership amendments, and the use of the building. We rely on the data provided by you to maintain accurate records.

There are many potential scenarios that could lead to HMRC challenging whether or not the pension scheme is being operated in accordance with its rules and then subsequently seek to raise tax charges for the failure to adhere to those requirements.

Should HMRC seek to raise tax charges depending on the type of scheme, these could be charged to the member(s), sponsoring employer and the pension scheme itself, and could be as high as 70% across all parties. Therefore, it is essential that we hold accurate and up to date information, to ensure we can evidence that all statutory requirements are being met.

Please read the Case Studies later in this document highlighting some scenarios that could lead to a pension scheme paying these tax charges.

### Q I believe James Hay already has some (or all) of the data being requested, so why am I being asked again?

We are aware that some members/member trustees may have recently submitted the requested information and documents to James Hay. However, on this occasion we are writing to all members/member trustees to ensure the information we currently hold on file accurately reflects the position at the date of this letter. If you wish to speak to us to discuss this further, please call us on **03333 205 861**.

### Q What is deemed a "Connected Party"?

A connected party is defined as a person or persons connected to the member(s) and/or sponsoring employer, e.g. close relatives, partners or any company associated with a member or their family, including directors of the sponsoring employer and their family.

### Q I have received this letter but the property has been sold/transferred away. What should I do?

Please write to us or email [propertyreturns@jameshay.co.uk](mailto:propertyreturns@jameshay.co.uk) and we will amend our records. Please note that if the property was sold or transferred away during the 2019/20 tax year, you will still need to complete the SIPP/SSAS Property Information Form as we are obliged to provide this information to HMRC on the PSR.

### Q How do I return the completed form and documentation to James Hay?

You can return the form and any accompanying documentation to the Property Team by:

- Secure message via James Hay Online
- Email to [propertyreturns@jameshay.co.uk](mailto:propertyreturns@jameshay.co.uk)
- Post to James Hay Partnership, Dunn's House, St. Paul's Road, Salisbury, SP2 7BF.

### Q My insurance doesn't cover the requirements set out in the form. What should I do?

Please update your insurance policy immediately to ensure it meets our requirements and provide us with the details of the new cover.

**Q Can I send original documents to James Hay?**

Yes, however we would encourage you to send copies to us at this time, if possible. We are unable to accept any liability for any documents that may become lost in the post. We recommend you send any original documents via a guaranteed or recorded delivery service. When posting your completed SIPP/SSAS Property Information Form and accompanying documents, please indicate in a covering note which items are originals and need to be returned. We will return these to you via recorded delivery. Please note that due to changes to current work practises as a result of Covid 19, it may take longer than normal to return your items.

**Q If I cannot retrieve the necessary documents to complete the SIPP/SSAS Property Information Form by the deadline, what should I do?**

If you are unable to return the necessary information to us by the deadline, please call us on **03333 205 861**.

**Q How do I know that my completed SIPP/SSAS Property Information Form has been received?**

If you wish to check that we have received your SIPP/SSAS Property Information Form, please call us on **03333 205 861** or email us at **propertyreturns@jameshay.co.uk**.

## Case Study 1: Residential conversion

The lease on a commercial property that is held in a SIPP/SSAS comes to an end and the property becomes vacant. The member/member trustees take(s) advice on marketing options and decide(s) to convert the property to residential use without consulting with either their financial adviser or us. The pre-conversion value of the commercial property was £160,000.

The member/member trustees obtain(s) the necessary planning permission and spend(s) £25,000 converting the building to make it suitable for use as a dwelling. The property is marketed for sale and, after a period of six months, a purchaser buys the property at the post-conversion market value of £220,000. As the building is suitable for use as a dwelling, which, under the legislation, is deemed to be taxable property, we are obliged to report this to HMRC and tax charges will apply to the member/member trustees personally as well as to the pension scheme.

The liability to the member/member trustees, which in the case of a SSAS is on a joint and several liability basis, would be £101,750, calculated as follows:

<b>A 40% tax charge on the total (pre-conversion) value of the property and conversion costs</b>	<b>A 15% tax surcharge as in this example it is deemed that this total value is more than 25% of the value of the pension fund.</b>
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The member/member trustees provide(s) evidence of this payment to us, otherwise the 15% tax charge listed below is increased to 40% if it is not paid.

The pension scheme also has to pay HMRC:

<b>A 15% tax charge on the total (pre-conversion) value of the property and conversion costs.</b>	<b>A 40% tax charge on the higher of the actual net rental income received or "deemed" rent for the six months between conversion and sale. The deemed rent is 10% (post-conversion value) of the property.</b>	<b>A 40% tax charge on any capital gains arising from the disposal of the property.</b>
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## Case Study 2: Rent arrears

The member/member trustees use(s) the/their pension scheme to purchase a shop unit. The member's/member trustees' business will be occupying the property on a five year lease. A RICS surveyor confirms the market rent for the property is £12,000 per annum. Rent is paid up to date for the first year. However, arrears of £9,500 accrue during the second year, despite repeated requests for payment, and no valid commercial reason is given as to why the rent has not been paid in full.

As the business and the member/member trustees are connected parties, we are obliged to report the rent arrears to HMRC. Depending on whether the pension is a SIPP or SSAS will determine who this tax charge may fall liable to, namely the member or the member's company, and the scheme. By not paying the rent, the business is also at risk of the lease being forfeited so they would have to vacate the property.

As appropriate, the member or the member's company must pay £3,800 to HMRC, based on a 40% tax charge on the rent arrears value. Failure to provide us in time with evidence of this payment will mean the scheme tax charge will also be applied at 40% of the rental arrears value, amounting to a further £3,800. Once this evidence is received, the information is sent to HMRC and a refund of 25% is returned to the scheme. This reduces the tax that was paid from £3,800 to £1,425.

James Hay Partnership is the trading name of James Hay Services Limited (JHS) (registered in Jersey number 77318); IPS Pensions Limited (IPS) (registered in England number 2601833); James Hay Administration Company Limited (JHAC) (registered in England number 4068398); James Hay Pension Trustees Limited (JHPT) (registered in England number 1435887); James Hay Wrap Managers Limited (JHWM) (registered in England number 4773695); James Hay Wrap Nominee Company Limited (JHWNC) (registered in England number 7259308); PAL Trustees Limited (PAL) (registered in England number 1666419); Santhouse Pensioner Trustee Company Limited (SPTCL) (registered in England number 1670940); Sarum Trustees Limited (SarumTL) (registered in England number 1003681); Sealgrove Trustees Limited (STL) (registered in England number 1444964); The IPS Partnership Plc (IPS Plc) (registered in England number 1458445); Union Pension Trustees Limited (UPT) (registered in England number 2634371) and Union Pensions Trustees (London) Limited (UPTL) (registered in England number 1739546). JHS has its registered office at 2nd Floor, Gaspé House, 66-72 Esplanade, St Helier, Jersey, JE1 1GH. IPS, JHAC, JHPT, JHWM, JHWNC, SPTCL, SarumTL, IPS Plc, PAL, STL, UPT and UPTL have their registered office at Dunn's House, St Paul's Road, Salisbury, SP2 7BF. JHAC, JHWM, IPS and IPS Plc are authorised and regulated by the Financial Conduct Authority. The provision of Small Self Administered Schemes (SSAS) and trustee and/or administration services for SSAS are not regulated by the FCA. Therefore, IPS and IPS Plc are not regulated by the FCA in relation to these schemes or services. (04/19)