

SSAS COMMERCIAL PROPERTY PURCHASE

GUIDANCE NOTES

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A Small Self-Administered Scheme (SSAS) can be a highly effective pension fund investment vehicle for commercial property. However, due to the tight regulatory environment governing pension funds, careful planning and strict adherence to guidelines are paramount. This document provides a summary of key considerations for clients looking to invest in commercial property via their SSAS.

What Type of Property Can a SSAS Buy?

SSAS investments are restricted to **UK commercial property** only. Acceptable property types include, but are not limited to:

- Offices
- Business units
- Industrial premises
- Warehouses
- Shops and retail units
- Nursing and care homes
- Hotels
- Pubs

Residential property is strictly not permitted. This includes houses, flats, holiday lets, beach huts, and student accommodation.

Mixed-use properties may be considered in limited circumstances, provided any residential element is minor and is linked to the commercial employment aspect of the property (e.g., a flat above a shop for the shopkeeper).

Both **freehold and leasehold properties are acceptable**. For leasehold properties, a minimum of 50 years remaining on the lease is typically required.

Can My Business Use the Property?

A SSAS can purchase property from a 'connected party' (e.g., your own business) and subsequently lease it back to that connected business. However, this arrangement **must be conducted on a strictly commercial basis**.

Key requirements include:

- **Market Value Pricing:** The acquisition and lease terms must reflect current market rates.
- **Independent RICS Valuation:** A valuation from a Royal Institution of Chartered Surveyors (RICS) qualified surveyor is mandatory to establish market value.
- **Rent Paid in Advance:** Rent must be paid by the tenant business to the SSAS at the start of each rental period.

Failure to adhere to these commercial terms can trigger **HMRC unauthorised payment charges**, which carry significant tax penalties.

Process Timeline

The process of acquiring commercial property through a SSAS typically ranges from **6 to 16 weeks**. This timeframe encompasses:

- Initial assessment and due diligence
- Property valuation
- Legal due diligence and conveyancing
- Funding and VAT registration arrangements (if applicable)
- Completion of the purchase

Required Professionals

Engaging the right professional advisors is crucial for a smooth and compliant transaction:

- **Solicitor for Trustees:** Specialising in SSAS property transactions.
- **RICS Surveyor:** For an independent property valuation.
- **Lender (if borrowing):** If the SSAS intends to borrow funds for the purchase, a lender will be required. Note that SSAS borrowing is limited to **50% of the scheme's net assets**.

Key Costs and Taxes

Several costs and tax implications need to be considered:

- **Legal Fees:** For conveyancing and advice.
- **Valuation Fees:** For the RICS valuation.
- **Stamp Duty Land Tax (SDLT):** Payable on commercial property purchases in the UK. The rate depends on the property value.
- **VAT Considerations:** If the property is elected for VAT, this will increase the Stamp Duty Land Tax base as SDLT is calculated on the VAT-inclusive price. However, the SSAS may be able to reclaim the VAT paid.

Ongoing Responsibilities

Once the property is acquired, the SSAS trustees have ongoing responsibilities to manage it effectively as a commercial investment for retirement. These include:

- **Rent Collection:** Ensuring timely payment from the tenant.
- **Insurance:** As the property owner, the SSAS (as landlord) is responsible for ensuring that adequate buildings insurance is always in place.
- **Repairs and Maintenance:** Ensuring the property is kept in good repair.
- **EPC Compliance:** Meeting Energy Performance Certificate requirements.
- **Treat as a Commercial Investment:** The property must be managed purely for the benefit of the pension fund's growth and eventual retirement income.

Final Thoughts

Investing in commercial property through a SSAS offers significant long-term benefits for pension growth. However, the complexities of pension legislation and property law mean that **seeking professional advice is recommended**. Strict adherence to HMRC regulations is paramount to avoid severe tax charges and protect your pension fund. We strongly advise discussing your specific circumstances with your SSAS administrator and financial adviser before proceeding.