

# HERITAGE SIPP

# COMMERCIAL PROPERTY PURCHASE

# APPLICATION FORM

---

If it is your intention to purchase commercial property through your SIPP and you have identified a prospective property, please complete this form and undertaking. All properties must be valued by a RICS qualified surveyor.

IFGL Pensions is a trading name of IFG Pensions Limited. The generic term IFGL Pensions is used throughout this application form as the context requires.

This application and associated documentation is based upon IFGL Pensions' current understanding of prevailing legislation and is subject to change. We do recommend that Independent legal and tax advice must be taken prior to purchase of any Property. Your attention is drawn to the Special Conditions and Risk warnings in the appendix to this application form.

Please contact us to discuss your proposed purchase before committing your SIPP to the purchase.

## Understanding the parties and the structure

<b>Scheme Administrator</b>	<b>IFG Pensions Limited</b>
Responsible for the day to day operation and administration of the SIPP.	
<b>Trustee</b>	<b>MW SIPP Trustees Limited</b>
The trustee of the Scheme.	
<b>Scheme</b>	<b>MW SIPP</b>
The name of the HM Revenue & Customs (HMRC) registered pension Scheme (tax reference number 00605329RK) under which the applicant's SIPP is established.	
<b>Product</b>	<b>Heritage SIPP</b>
The generic name of the product purchased by the applicant established under the MW SIPP Trust Deed.	

Member name:

## A. PROPERTY DETAILS

Address (including  
postcode):

Purchase price:

Please confirm that the purchase price does not include the cost of any fixtures, fittings or goodwill  
(must be excluded).

Yes

No

Is a preliminary payment to an agent, developer or third party required?

Yes

No

If Yes, please give the  
reason and details of  
the amount and  
timing of the  
required deposit:

Is the property Leasehold or Freehold?

Leasehold

Freehold

If Leasehold please  
provide full details:

What is the Land  
Registry title number?

Is the property adjacent to or near any land or property currently owned by the member or any  
"connected" party? (see point viii in Appendix)

Yes

No

If Yes, please give  
details:

Name of Vendor:

Is the Vendor "connected" to you (see point viii in Appendix)?

Yes

No

Name and address of  
Vendor's solicitors  
(include postcode):

Email address:

Contact:

Name and address of  
the Selling Agents:

Email address:

Contact:

Current use:

Proposed use:

## A. PROPERTY DETAILS (CONTINUED)

Will the property be used for purely commercial purposes?

Yes  No

Are there any special or particular factors relating to the intended use of the property that you would like us to know about (including anything relevant to the insurance of the property)?

Yes  No

If Yes, please provide details:

Is the property currently registered for VAT?

Yes  No

If Yes, what is the VAT Registration number of the Vendor?

If No, is it required to be registered for VAT?

Yes  No

Is the property to be let on a multi-occupancy basis?

Yes  No

Proposed tenants:

Are they existing tenants?

Yes  No

If Yes, please provide details of the tenancy agreement and enclose a copy of the lease with this form:

Is the tenant "connected" to you (see point viii in Appendix)?

Yes  No

Is a rent deposit required?

Yes  No

### Contact details of tenant

Name:

Address (including postcode):

Email address:

Tel:

Rental:

Agreed £  pa or Proposed £  pa

What are the terms of the lease?

## A. PROPERTY DETAILS (CONTINUED)

A surveyor will need to be appointed to provide the Trustees with a report and valuation of the property. Please advise below who will be undertaking it

Details of surveyor:

Address  
(including postcode):

Contact:  Tel:

Email address:

Please include full details of any proposed refurbishments and renovations:

Is this to be a syndicated purchase?  Yes  No

If Yes, please supply names of other members of the syndicate and percentage of ownerships if known:

## B. FINANCING THE PURCHASE/BORROWING REQUIREMENTS

If you are borrowing to finance the purchase, please note that most borrowers will require their own surveyor to value the premises and will invoice your SIPP for payment of the valuation fee.

**You are only able to borrow up to 50% of your SIPPs net fund value**

Will you be borrowing to finance the purchase?  Yes  No

If Yes, please provide details of loan and lender below

Amount to be financed by cash (which must be available within your portfolio at the exchange of contracts) £

Loan amount: £

Term:  years

### Details of Lender

Please show below details of the bank to be used for the mortgage:

Name of Lender:

Branch name:

Address  
(including postcode):

Contact:  Tel:

Email address  
of Lender:

You will not personally be a party to the loan agreement. The loan must be arranged in the name of MW SIPP Trustees Limited.

## C. SOLICITORS

It is a requirement that solicitors are appointed to act for MW SIPP Trustees Limited where any property is being purchased. There are two options available; please confirm one of the options below as your instruction.

- i. A firm of solicitors will be appointed by MW SIPP Trustees Limited (a quote will be acquired)
- ii. The Trustee will consider the appointment of your nominated solicitors who will be required to provide the Trustee with a Certificate of Title. (NB IFGL Pensions reserves the right to charge an increased fee of £1,500 plus VAT if we are involved in any additional work as a result of your solicitor not being fully conversant with our Trust Deed and Rules or with HMRC requirements regarding property purchase by a Registered Pension Scheme.)

Please provide the name and contact details of the solicitor you propose to use under option ii) above.

Firm of Solicitors:

Address:  
(including postcode):

Contact:  Tel:

Email address:

## D. TIMESCALE

What is your ideal timescale for exchange of contracts and completion?

Whilst, within reason, we will try and accommodate your wishes the timing of the transaction is dependent upon a number of factors, not least of which is that we are dependent upon the actions of third parties.

## E. UNDERTAKINGS

- i. The member(s) confirm that they are aware of the requirements for property purchase through a SIPP including the requirements set out in the appendix to this application form and will comply with them.
- ii. The member confirms that where they have declared that the vendor or proposed tenant is not 'connected' to them that they have taken reasonable steps to ascertain this fact from persons qualified to make such a judgement.
- iii. The member(s) agree to meet all costs in connection with the proposed property purchase:
  - a) whether or not the purchase proceeds to completion;
  - b) whether the costs are by way of fees incurred by or on behalf of IFGL Pensions or MW SIPP Trustees Limited, or are other expenses of the purchase
- iv. The member(s) agree that property insurance is arranged for the property on behalf of the Trustees.
- v. The member(s) agree to MW SIPP Trustees Limited entering into a charge on the property where borrowing is entered into to enable the purchase of the property.

## F. FEES

Fees due to IFGL Pensions for the purchase and administration of commercial property are on our published fee list. These fees are in addition to the set up and annual SIPP administration fee and will be deducted from your SIPP fund. In the event that a property purchase does not complete for whatever reason we will charge for the services undertaken on your behalf.

## G. WARRANTY

The member warrants and represents that all information and documentation provided in connection with the property purchases is, to their knowledge, accurate in all material respects and is not, whether by omission or otherwise, misleading.

## H. INDEMNITY

In consideration of MW SIPP Trustees Limited entering into the agreement and completing the purchase of the Property as Trustee of the scheme, the Member agrees to indemnify IFGL Pensions and MW SIPP Trustees Limited against all and any liability which MW SIPP Trustees Limited may incur in respect of the Property (including ownership of the property) and in particular by virtue of the agreement the assurance of the property to it and in respect of any contamination which may affect the Property.

In consideration of the obligations undertaken by MW SIPP Trustees Limited pursuant to the agreement and the assurance of the property to it, the member(s) hereby covenant with IFGL Pensions and MW SIPP Trustees Limited to indemnify each of them and keep them indemnified against all losses, action, damages, proceedings, claims, demands, costs and expenses whatsoever incurred, suffered or arising in respect of the property, or resulting from MW SIPP Trustees Limited acquiring the property, howsoever arising.

Member Name:

Signed:

Date (dd/mm/yyyy):

# Commercial Property Purchase Application Form – Appendix

## Special Conditions and Risk Warnings

Your attention is drawn to the following points, with which you must comply:

- i. The property must be purchased in the name of the Trustees including MW SIPP Trustees Limited and the following wording must be added to all legal documentation:

“The liability of MW SIPP Trustees Limited hereunder shall not be personal but shall be limited to the extent of the assets of the MW SIPP re (name of member ) in its possession from time to time. All such liabilities shall cease when the said MW SIPP Trustees Limited cease to be a Trustee of the scheme.”

- ii. The independent valuation of the property must be carried out by a suitably qualified surveyor (normally a member of RICS). The emerging report must contain details of the open market value of the property, the independent rental value and the insurance value of the property.

Where a surveyor is appointed directly by yourself or a lender, please note the following requirements:

- a) They should be a member of RICS (Royal Institute of Chartered Surveyors) or the equivalent
- b) The Survey Report should be addressed to MW SIPP Trustees Limited (and the commercial lender where borrowing is required) and should be carried out in accordance with the Institute’s guidelines and include:
- An assessment of the property to include recommendations as to whether a full structural, environmental or asbestos survey is required.

Where asbestos is suspected of being present, MW SIPP Trustees Limited require an asbestos risk assessment survey to be carried out on the property and if confirmed as being present a Risk Management Plan must be documented and a copy forwarded to MW SIPP Trustees Limited. This Plan must be regularly reviewed.

- A full schedule of recommended repairs;
  - An independent valuation to compare the purchase price;
  - A reinstatement figure for insurance purposes;
  - A market rental valuation.
- iii. Any borrowing must be in the name of MW SIPP Trustees Limited, and mortgage or loan documentation must be passed to MW SIPP Trustees Limited for checking. The wording under i) above must be included in all such documentation.
- iv. HM Revenue and Customs legislation limits your aggregate borrowing under an arrangement you hold under your SIPP to 50% of the net market value of the fund you hold in that arrangement immediately before the borrowing takes place. This 50% limit includes the value of any existing borrowing you have outstanding at that time. If this limit is breached, IFGL Pensions will become liable to a tax charge of 40% on the excess borrowing. This charge would be deducted from your fund value under the appropriate arrangement held under our scheme. If there was not sufficient cash available to cover this charge MW SIPP Trustees Limited will realise assets within your fund to meet the due charge. If your fund is insufficient to meet this tax charge, you will be personally responsible for the balance due.
- v. It is possible for us to elect to waive exemption from VAT where appropriate. For example on purchase of a new property where the purchase price is subject to VAT in order that it may be reclaimed, or where major renovations are proposed. You must instruct us in this regard.
- vi. Occasionally it may not be possible to register for VAT and therefore the scheme would not be able to recover the VAT on expenditure. One example is where the purchase price is £250,000 or more and the member as tenant is wholly or partially exempt from paying VAT. You should seek professional advice if this situation is anticipated.
- vii. The purchase of residential property is not permissible. There are detailed HM Revenue & Customs rules on what constitutes a ‘residential property’, and the exceptions that are permitted in ‘mixed’ use circumstances. If the rules are breached, you and your MW SIPP will become liable to a heavy tax charge, any future income or capital gain derived from that property will also be subject to a tax charge. Any residential element needs to be established at the outset. If it is established that it is not allowable under the HMRC rules, the purchase will not proceed.

- viii. It is possible for property transactions to take place between your scheme and yourself, or any person deemed to be 'connected' with you. But any such transaction must be undertaken on an arm's length basis (market value). If it is not undertaken on an arms length basis you may become liable to a tax charge on any over value (if the SIPP is buying) or under value (where the SIPP is selling or leasing the property). We are also obliged to report all 'connected' transactions to HM Revenue and Customs. For this purpose, a 'connected person' is defined in legislation (section 839 of Income & Corporation Taxes Act 1988). A person in this context can include a company.

An individual will be 'connected' with you if they are

- your wife, husband or civil partner,
- a person you are in partnership with,
- one of your 'relatives', or
- a 'relative' of your wife/husband/civil partner or person you are in partnership with.

A 'relative' is defined as

- brother or sister,
- an 'ancestor' (mother, father, grand-parent etc), or
- a 'lineal descendant' (son, daughter, grand-daughter etc).

A company will be viewed as 'connected' to you if you have 'control' of that company, or if you and persons connected to you collectively have 'control' of the company. 'Control' is again defined in legislation (section 416 of Income & Corporation Taxes Act 1988). It is also possible for individuals who are not 'connected' to each other to be deemed to collectively control a company. Whether or not you are deemed to 'control' a company is a question neither IFGL Pensions nor MW SIPP Trustees Limited can give advice on. If you or any person 'connected' to you have an interest in the company we strongly recommend that you consult the company accountant/lawyer to check whether the company is 'connected' to you within section 839 of Income & Corporation Taxes Act 1988.

- ix. This notice below draws to your attention the risks and costs associated with property purchase through a Pension Scheme.
- There is a greater risk associated with property investments, as they are not readily realisable. You may have difficulty in selling the property at a reasonable price. In some circumstances it may be difficult to sell the property due to market conditions. Accordingly, you should carefully consider whether such investments are suitable for you in the light of your personal circumstances and the financial resources available to you.
  - At the outset of any proposed property purchase you will incur legal and professional charges, irrespective of whether the proposed purchase is completed.
  - IFGL Pensions and MW SIPP Trustees Limited can provide no assurance that any proposed property purchase will be acceptable as a tax exempt asset under the SIPP. Final completion can only take place once we have received confirmation that everything is in order.
  - IFGL Pensions and MW SIPP Trustees Limited reserve the right not to proceed with a property purchase if at any time their solicitors are unable to satisfy themselves as to documentation or HM Revenue and Customs requirements.
- x. It is a requirement that all properties are suitably insured. Unless otherwise agreed in writing, MW SIPP Trustees Limited will arrange this for all properties. The premium will be paid from assets held in your SIPP and, if so agreed in any lease, invoiced on to the tenant(s).
- xi. If you purchase a property jointly with other members' funds your proportionate ownership will depend upon the amount being deducted from your fund and used towards the costs of the acquisition/development.
- xii. The property will be professionally valued at each lease review i.e. when the rent is reviewed, or after a 3 year period if sooner. Additionally, it will be revalued at every Benefit Crystallisation Event, or at any other time that the Trustee requires. The cost of the revaluation will be met from the assets of the SIPP.
- xiii. Before we are able to exchange contracts, we must be satisfied that the property is acceptable to IFGL Pensions and MW SIPP Trustees Limited and that we can complete the purchase.

Prior to exchange of contracts we normally must have received the following:

- Survey including Market Valuation, Reinstatement Valuation, and Rental Valuation.
- Report on Title.
- Details of proposed (agreed in principle) or existing lease(s).
- Signed facility letter for borrowing and agreed legal charge (if applicable).
- Contract (with VAT clause if applicable).
- Provisional Completion Statement.
- Any other requirements the Trustees have placed on the transaction (e.g. planning permission, certificate of change of use).
- Environmental report should the desk top solicitors report and survey recommend further investigation.
- Energy performance certificate.
- Asbestos Report should the survey recommend.
- Electrical and gas safety certificates.
- Copy of the suitably signed Syndicate Agreement (where relevant).

Sufficient money must also be in the SIPP bank account to cover the purchase price, VAT, Stamp Duty and relevant costs, taking into account any lending agreed.

- xiv. In some scenarios we will require an independent property manager to be appointed to manage the property on an ongoing basis. Such firm must be acceptable to MW SIPP Trustees Limited. In normal circumstances this will be IFGL Pensions and the member. Their fees will be paid from your SIPP bank account.
- xv. You agree to keep a minimum cash balance of 1.5% (minimum cap of £2,000 and maximum cap of £8,000) of the value of your fund in the account on an ongoing basis. If you are investing in property or land, then a minimum of £10,000 must be held in cash. The Trustee may vary the minimum cash balance required from time to time depending on the circumstances. The Trustee will give the Member at least 30 days' notice if the percentage of the minimum cash balance amount will increase from 1.5% of the pension fund.
- xvi. A property purchase is a trigger for us to carry out our Anti Money Laundering Procedures. Please refer to our website for current requirements.

### **Special Conditions: Joint or Syndicated Property Investments**

The conditions below will be subject to the specific terms of your Syndicate Agreement to which each syndicated member will be a party to.

- i. Where the property is being bought as part of a joint or Syndicated investment the following wording must be added to all legal documentation:

“The liability of MW SIPP Trustees Limited hereunder shall not be personal but shall be limited to the aggregate of the members’ funds involved in the pooled purchase MW SIPP re (member name)  and MW SIPP re ((member name) , from time to time. All such liabilities shall cease when the said MW SIPP Trustees Limited cease to be a Trustee of the scheme”.
- ii. Even though a member may be entitled only to a percentage share in a property, each member may be fully liable for the mortgage and all other liabilities associated with the property in the event of default.
- iii. Ongoing expenses paid in respect of the property should always be met in accordance with the property ownership at the time the expense arises. However, the ownership split of the property may change if expenses cannot be met in this way from the joint account and there are insufficient funds in personal accounts to meet liabilities, even though this will alter the intended percentage shares in the property.
- iv. Where a member is in more than one partnership/Syndicate, IFGL Pensions reserves the right to charge for additional syndicate valuations.

- v. A joint property bank account will be established specifically for the syndicated property purchase, whilst the members will retain their individual personal SIPP bank accounts. All property transactions will be processed through this syndicated property bank account. You must keep a minimum of £10,000.00 in cash per property held at all times within the syndicated property bank account.
- vi. All property related fees due will be taken in proportion to the ownership of the property unless advised otherwise and will be paid from the joint Property bank account.
- vii. Where a problem arises with the property and contributions may be needed in order to solve the problem, and members refuse or are unable to pay the increased amount, MW SIPP Trustees Limited reserve the right to access other assets within the members' funds. In such circumstances, that particular member's share of the pool may increase.
- viii. In the event of the death of any member of a syndicate, ultimately if no other purchaser of that member's 'share' can be found it may be necessary to sell the property. In such circumstances the Trustees will be bound by HM Revenue & Customs legislation and you should be aware that the timing of such a sale would be outside the control of the Trustee - HM Revenue & Customs legislation requires us in some circumstances to settle distribution of a member's pension fund within 24 months of death.
- ix. In the event of dispute or conflict, a solicitor will be appointed to act on behalf of MW SIPP Trustees Limited.