

APPLICATION FORM

COMMERCIAL PROPERTY PURCHASE

THE SOVEREIGN

SMALL SELF-ADMINISTERED SCHEME

Sovereign SSAS Trustees Limited

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Sovereign Pension Services is a trading name of Sovereign Pension Services (UK) Limited which is a company registered in England and Wales, number 4826217. Registered office: Sovereign House, Port Causeway, Bromborough, Wirral CH62 4TP, United Kingdom.

Sovereign Pension Services (UK) Limited acts as the HMRC Scheme Administrator to each individual SSAS.

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Commercial Property Purchase Application

If it is your intention to purchase commercial property through your SSAS and you have identified a prospective property, please complete this additional application and undertaking. All properties must be valued by a RICS qualified surveyor and unless you are relying on a mortgage from a bank, a copy of the valuation must be submitted with this form.

This application and associated SSAS documentation is based upon Sovereign Pension Services (UK) Limited's current understanding of prevailing legislation and is subject to change. 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

A. Property Details

Address: _____

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: _____

Name and address of the Selling Agents: _____

Current use: _____

Proposed use: _____

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 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

Rental: Agreed £ _____ pa **or** Proposed £ _____ pa

What is the term of the lease? _____

An open market property and rental valuation is required if the Vendor is "connected" as above.

Has this been carried out? ☐ Yes ☐ No

If yes, please provide us with a copy. If No, please advise below who will be undertaking it.

Details of Valuer: _____

Address: _____

Contact: _____ Tel: _____

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: _____

B. Financing the purchase/borrowing requirements

How is the purchase to be funded?

- ☐ Existing cash deposit?
- ☐ Existing cash plus employer contribution?
- ☐ Existing cash plus disinvestment?
- ☐ Existing cash plus commercial mortgage?

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

You are only able to borrow up to 50% of your SSAS's net asset 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 SSAS at the exchange of contracts) £ _____

Proposed 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: _____

Contact: _____ Tel: _____

(The loan must be arranged in the name of all the Trustees of the SSAS including Sovereign SSAS Trustees Limited.)

C. Solicitors

It is a requirement that suitably qualified and regulated solicitors are appointed to act for the SSAS Trustees. Please provide the name and contact details of the solicitor you propose to use

Firm of Solicitors: _____

Address: _____

Contact: _____ Tel: _____

D. Timescale

What is your intended date for "Completion"?: ____/____/____

Whilst 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) confirms that they are aware of the requirements for property purchase through a SSAS including the requirements set out in the Appendix to this application form and will comply with them.
- ii The member(s) 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) agrees 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 Sovereign Pension Services (UK) Limited or Sovereign SSAS Trustees Limited or are other expenses of the purchase.
- iv The member(s) agrees that property insurance is arranged for the property on behalf of the Trustees.
- v The member(s) agrees to Sovereign SSAS Trustees Limited entering into a charge on the property where borrowing is entered into to enable the purchase of the property.
- vi The member(s) agrees to Sovereign SSAS Trustees Limited being a named Proprietor on HM Land Registry Title Deeds.

F. Fees

Fees due to Sovereign Pension Services (UK) Limited 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 SSAS administration fee and will be invoiced to your SSAS 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. Indemnity

In consideration of Sovereign SSAS Trustees Limited entering into the agreement and completing the purchase of the Property as Trustee of the Scheme, the Member(s) agrees to indemnify Sovereign Pension Services (UK) Limited and Sovereign SSAS Trustees Limited against all and any liability which Sovereign SSAS 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 Sovereign SSAS Trustees Limited pursuant to the agreement and the assurance of the property to it, the member(s) hereby covenant with Sovereign Pension Services (UK) Limited and Sovereign SSAS 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 Sovereign SSAS Trustees Limited acquiring the property, howsoever arising.

Scheme Name: _____

Member Trustee Name : _____ Signed: _____

Member Trustee Name : _____ Signed: _____

Member Trustee Name : _____ Signed: _____

Member Trustee Name : _____ Signed: _____

Date: ____/____/____

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 Sovereign SSAS Trustees Limited and the following wording must be added to all legal documentation:

“The liability of Sovereign SSAS Trustees Limited hereunder shall not be personal but shall be limited to the extent of the assets of the _____ in its possession from time to time. All such liabilities shall cease when the said Sovereign SSAS Trustees Limited ceases to be a Trustee of the Scheme.”

- ii Any 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 the Trustees of the SSAS (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 or asbestos survey is required.

Where asbestos is suspected of being present, Sovereign Pension Services (UK) 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 Sovereign Pension Services (UK) Limited. This Plan must be regularly reviewed as follows:

- 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 the trustees including Sovereign SSAS Trustees Limited and mortgage or loan documentation must be passed to Sovereign Pension Services (UK) Limited for checking. The wording under i) above must be included in all such documentation.
- iv HM Revenue & Customs legislation limits your aggregate borrowing under an arrangement you hold under SSAS 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, Sovereign Pension Services (UK) Limited 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 you will need to 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 through a SSAS 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 SSAS will become liable to a tax charge and any future income or capital gain derived from that property will also be subject to a tax charge. Where necessary, you will need to take independent financial advice to ensure this investment does not breach these rules.
- 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 arm's length basis you may become liable to a tax charge on any over-value (if the SSAS is buying) or under-value (where the SSAS is selling or leasing the property). We are also obliged to report all "connected" transactions to HM Revenue & 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'
- 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)
- 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 Sovereign Pension Services (UK) Limited nor Sovereign SSAS 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.

- xi The 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.
 - Sovereign Pension Services (UK) Limited and Sovereign SSAS Trustees Limited can provide no assurance that any proposed property purchase will be acceptable as a tax exempt asset under the SSAS. Final completion can only take place once we have received confirmation that everything is in order.
 - Sovereign Pension Services (UK) Limited and Sovereign SSAS 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 & Customs requirements.

- x It is a requirement that all properties are suitably insured. The premium will be paid from assets held in your SSAS and, if so agreed in any lease, invoiced on to the tenant(s).
- xi A satisfactory Environmental Report is required on **all** properties prior to exchange of contracts which should be provided by the nominated consultants.
- xii If you purchase a property jointly with others your proportionate ownership will depend upon the amount being deducted from your fund and used towards the costs of the acquisition/development. This needs to be subject to an appropriate Syndicate Agreement or Deed of Arrangement.
- xiii The property will be professionally valued at each lease review, i.e. when the rent is reviewed or after a five 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 SSAS.
- xiv Before we are able to exchange contracts, we must be satisfied that the property is acceptable to Sovereign Pension Services (UK) Limited and Sovereign SSAS Trustees Limited and that we can complete the purchase.

Prior to exchange of contracts we would expect to 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
- Copy of the suitably signed Syndicate Agreement (where relevant).

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

- xv We will require that an independent property manager is appointed to manage the property on an ongoing basis. Such firm must be acceptable to Sovereign SSAS Trustees Limited. In normal circumstances this may be Sovereign Pension Services (UK) Limited. Their fees will be paid from the assets in your SSAS.