A Self-Invested Pension Plan (SIPP) can be a really useful way of owning a commercial property - particularly when your business is the tenant.

There are significant advantages and benefits for you as the investor and your business.

For example:

- Rents paid by the tenant into your SIPP are a deductible business expense. If your business is the tenant this could reduce your corporation tax or income tax liability
- Your SIPP can borrow up to 50% of its net fund value to help fund a purchase
- The rental income received by the SIPP is tax free and can be used to pay a mortgage on the property
- Because the property is an asset of the SIPP, the property might not be accessible to creditors in the event of an individual or company becoming insolvent
- If the property is sold by the pension fund, there is no capital gains tax (CGT) liability as capital growth is exempt from CGT when the property is owned by the SIPP
- All assets in your SIPP (including the property) should fall outside your personal estate for Inheritance Tax (IHT) purposes
- In the event of your death, the property could be paid to a named beneficiary as an “in specie” lump sum death benefit to avoid the unnecessary sale of property, however, significant tax charges may apply. Alternatively, your dependants could continue to hold the fund as a source of income.
However, owning property in a SIPP is a complex area and there may also be some downsides to consider.

For example:

- You will not have *full* control over the Property at it is owned by the SIPP

- The tenant will have to pay a market rent and there is still a liability for the tenant (which may be your business) to continue to pay rent even if they experiencing financial difficulty

- Any loan repayments and other expenses such as business rates and service charges will still need to be maintained even if the property is empty. This may result in other assets or the property having to be sold

- The property will not be eligible as collateral for future loans taken out by your business

- If the property is the main asset of your SIPP you will need to plan for sufficient liquidity to pay benefits at retirement. Also, the property will need to be valued when benefits are drawn for which the SIPP will incur the costs

- Property can be illiquid, and if the SIPP needs to sell the property for any reason this could be at an inopportune time.

**Call us on 01405 720559 for a free, no obligation initial discussion**