

THE CURTIS BANKS PROPERTY GUIDE



This document is part of a set, all of which should be read together:





- **Property Guide**
- Key Features
- Personal Illustration
- Schedule of Fees
- Schedule of Allowable Investments
- Terms and Conditions
- Property Insurance Notes (where applicable)
- Group Investment Agreement (where applicable)

WHY CHOOSE CURTIS BANKS?

CURTIS BANKS GROUP HAS DEALT IN COMMERCIAL PROPERTY SINCE 1971. IN FACT A COMPANY IN THE GROUP WAS ORIGINALLY ESTABLISHED BY A GROUP OF SOLICITORS WHO WANTED TO PUT THEIR BUSINESS PREMISES INSIDE THEIR PENSIONS.

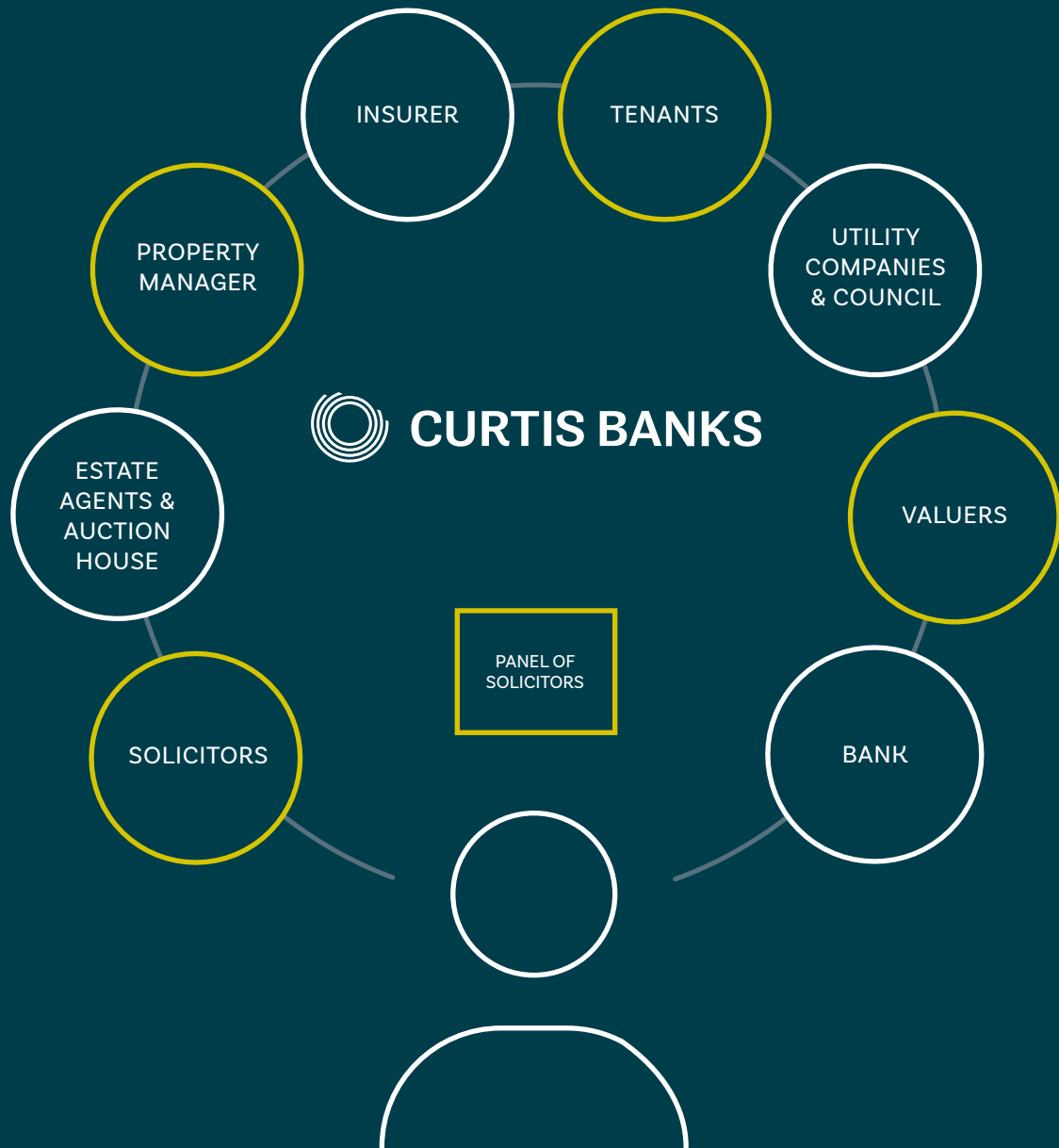
Since opening our first SIPP in 1996 we now have established SIPPs for over 33,500 individuals and own over 6,400 properties on behalf of over 9,400 clients. We own properties across the United Kingdom with their uses ranging from the ordinary to the extraordinary.

The breadth of our experience in property purchase, on-going management and SIPP administration ideally positions Curtis Banks to provide for your SIPP property needs.

Properties	OVER 6,400	
Clients with property	OVER 9,400	
Tenants	OVER 6,400	
Rent roll	OVER £139M	

*Figures as at 30 June 2018

WHY CHOOSE CURTIS BANKS?



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THE BENEFITS, RISKS AND ONGOING OBLIGATIONS OF HOLDING PROPERTY IN YOUR SIPP

Before deciding to invest in commercial property it is important that you consider both benefits and risks associated with holding a property within your SIPP, the commitments you can expect to have to make and understand how investment performance can be affected by the way you manage the property.

Please remember

That laws and tax rules may change in the future. The information here is based on our understanding at March 2018. Your personal circumstances also have an impact on tax treatment.

BENEFITS

Owning property within a tax advantageous environment

- Any growth in the property value, when held in a SIPP, is free from Capital Gains Tax. The rental income received by your SIPP is also tax free.
- Pension legislation allows your SIPP to borrow up to 50% of the net fund value to purchase a property.
- Additional tax advantages may arise where you sell your business premises to your SIPP and lease it back to your firm. For example rent paid to your SIPP is a deductible business expense and could therefore reduce both the income or corporation tax liability to your business.
- Please refer to your SIPP Key Features Document for more information regarding pension **benefits** such as tax relief on contributions or Inheritance Tax.

Succession planning

It is possible for you to sell part or all of the property to another client's plan. There would be no **Stamp Duty Land Tax** or VAT (where applicable) payable for transfers to other Curtis Banks clients.

RISK CONSIDERATIONS

Some of the main considerations are highlighted below but we strongly recommend that you consult an adviser before investing in property to ensure that it is the right decision for you.

Liquidity, diversity and realising the investment

- You should always remember the primary aim of your SIPP is to provide for your future needs in retirement and property should be viewed as a long term investment.
- Property can be difficult to dispose of and may take longer to sell than many other pension assets. You will need to consider the likely future resale value to minimise any issues when looking to sell the investment.
- If the property represents the main asset of your SIPP it would leave your investment holdings poorly diversified; we encourage you to hold a variety of investments within your SIPP to spread your investment risk.
- You should always ensure that there are sufficient cash holdings within your SIPP to meet liabilities attached to the property such as business rates, third party fees or insurance. If funds are not available to settle liabilities we may look to sell the property.

Please remember

Before purchasing a commercial property through your SIPP you should discuss the ongoing obligations with your **adviser** as buying and managing property can be a complicated and expensive process.

1

THE BENEFITS, RISKS AND ONGOING OBLIGATIONS OF HOLDING PROPERTY IN YOUR SIPP (CONTINUED)

Please remember

Your SIPP is to provide for your future needs in retirement. When selecting a property to hold within your SIPP you will need to consider the resale opportunities.

Market fluctuations

Just like other investments the value and income generated by the property is subject to general market conditions.

- The value of the property may fall as well as rise, so the value of your SIPP fund is not guaranteed.
- While a regular stream of rent can help increase or maintain the fund value this is not guaranteed as tenants may vacate, fail or you may have to accept a lower rate of rent if the market has fallen.
- If you have difficulties with the tenants (e.g. if your tenant ceases trading or goes into administration or liquidation or breaches the terms of the lease) your SIPP may incur considerable costs associated with the recovery of rent or may ultimately have to bear the loss of this income.

ONGOING OBLIGATIONS

While we hold property within your SIPP you will need to work alongside us to ensure that the property is managed in accordance with HMRC requirements and the terms of the lease.

Instructions

From time to time we will require your instructions or authority to settle bills or manage the relationship with the tenant. Unless we are legally obliged or contractually entitled to proceed with a particular course of action we will usually seek your instructions. For properties owned on behalf of a group of individuals you and your syndicated members will nominate a lead member for us to correspond with and to supply decisions. It is important that this individual distributes the information received from us and communicates the instructions of the group to us.

Please remember

There will be times when Curtis Banks will require valuations of the property, either as a result of pension regulations or due to the terms of the lease.

Valuations

Throughout the time you hold a property within your SIPP you may wish to request formal valuations to help with your financial planning. There will also be times that Curtis Banks will require valuations of the property, either as a result of pension regulations or due to the terms of the lease. Events include:

- Taking retirement **benefits** or, if you are already in capped **drawdown**, reviewing your income limits. Income limit reviews will be required every three years prior to age 75 and annually thereafter.
- When you reach 75.
- In accordance with the terms of insurance – at least every 7 years.
- Lease renewals or new leases.
- Rent reviews in accordance with the terms of the lease.

You can nominate a **valuer** of your choice to carry out the report. If we do not receive instructions from you as to which **valuer** you wish to appoint we will use the **valuer** that has previously been instructed for your SIPP. Suffolk Life Annuities Limited will need to instruct the **valuer** as the legal owner of the property.

Once a valuation has been conducted we can rely on the values within the report for pension and legislative requirements for a period of up to three months. The cost of any valuations will be met by your SIPP. Please contact our Property Valuations Team if you have any questions.

1

THE BENEFITS, RISKS AND ONGOING OBLIGATIONS OF HOLDING PROPERTY IN YOUR SIPP (CONTINUED)

See section 11 for more information on vacant property.

Liquidity

It is your responsibility to ensure that there are sufficient funds within your SIPP to meet the liabilities associated with the property, such as mortgage payments, third party bills (including service charges, business rates, utility bills and insurance) and your SIPP fees. This is particularly important to consider if the property is vacant as no rent will be being received by your SIPP.

If funds are not available you will need to sell other assets held within your SIPP, make a contribution, if allowed, or transfer funds from another pension plan to meet your obligations. Please see your SIPP's Key Features for full details.

Order of disposal

If you do not make cash available to meet liabilities that have been notified to you we may need to force the sale of the property. Where this occurs we will follow our Order of Disposal Policy which is available on request. We will always undertake forced sales by auction so the property is sold in a timely fashion and further liabilities are not incurred.

2

WHAT PROPERTY CAN YOU PURCHASE WITHIN YOUR SIPP?

If it's commercial and based in the UK, we will happily assess it, be it **freehold, leasehold or commonhold**. Generally the categories that we will accept subject to our due diligence are:



Shops

(the retail sale of goods to the public): for example - stores, hairdressers, dry cleaners or travel agents.



Restaurants, cafes and drinking establishments

for example - pubs, wine bars or takeaways.



Land

for example - bare land, farmland, forestry land and grazing land.



Industrial units, storage or distribution

for example - wholesale warehouses, distribution centres or manufacturing units.



Non- residential institutions

for example - clinics and health centres including GP surgeries and dental practices, crèches and day nurseries.



Public and leisure facilities

for example - cinemas, dance and concert halls, sports halls, swimming pools, gymnasiums and bingo halls.



Hotels and care facilities

for example - an entire hotel complex.



Business offices

for example - general offices, solicitors offices, barristers chambers, accountancy firms, estate agents or employment agencies.

If you want to discuss a property's allowability, please contact our Property New Business Team. [See section 17](#)

Please note

Throughout the acquisition process we will undertake a variety of checks to protect your SIPP.

Some residential property may be allowed if used for employment or business purposes, like a caretaker's home, and is occupied by an **unconnected party** and managed by a **property manager**. If this applies to the property you are considering please call our Property New Business Team to ensure it meets the conditions required by legislation.

If it's allowable, Suffolk Life Annuities Limited can buy the property directly from you, through an estate agent or at auction. If you are looking to purchase a property at auction, a successful bid will result in a legal commitment to buy. Curtis Banks will only be able to commit to purchase after we have completed our due diligence and any required finance is in place. We will also need to sign the auction contract. Our Property New Business Team will need to be involved in good time before the auction takes place, however there will still be no guarantee that we would have satisfied all of our requirements before the date of the auction.

2

WHAT PROPERTY CAN YOU PURCHASE WITHIN YOUR SIPP? (CONTINUED)

WHAT TYPES OF PROPERTY OR TRANSACTIONS DO WE EXCLUDE?

We will always review the individual properties looking to be purchased and assess them on their own merits. There are a number of general property types that we exclude as a result of legislation or to ensure the security of the investment within your SIPP.

Excluded properties or transactions:

- Overseas property. Property must be located in England, Wales, Scotland or Northern Ireland.
- Joint title purchases where the beneficial interest retained outside of your SIPP is of nominal value.
- Property that benefits from an aggregated income such as hotel rooms and storage pods.
- Taxable property including holiday apartments, beach huts, and caravans.
- Types of property where we are advised that there is no re-sale market.
- Any property our insurers will not cover.
- Properties that have a very low Energy Performance Certificate (EPC) rating F or G, are incapable of securing an E rating and do not qualify for an exemption.

See section 4 for more information on the joint title ownership structure.

See section 10 for more information on EPCs.

Longevity of Investment

Investments in property are intended to be long-term investments and therefore we would normally expect them to be held for a substantial period of time. The quick turnover of properties is not an appropriate activity for a pension fund as HMRC deem this to be trading, which would be subject to tax penalties.

2

WHAT PROPERTY CAN YOU PURCHASE WITHIN YOUR SIPP? (CONTINUED)

Tangible Moveable Property or Goodwill

Where investing in property, a SIPP can only purchase the land, bricks and mortar and those elements of the property that are integral to the fabric of it. A SIPP cannot acquire any goodwill or any fixtures or fittings.

Your SIPP must be used for the 'sole purpose' of accruing and providing pension **benefits**. As such you should not benefit in any other way from the assets held within your SIPP – this is known as goodwill. An example of goodwill is a property directly adjacent to any land or property owned by you or any **connected party** which, through the purchase by your SIPP, enhances the value of the land outside of your SIPP. In this scenario we must have a **valuer's** opinion that the land is separate and there is no 'marriage value'. You should notify us if you are looking to purchase a piece of land adjacent to property owned by yourself or a **connected party**.

The purchase of these items could lead to taxation liabilities and, in certain circumstances, advice may be required from a **valuer** to ensure your SIPP is not acquiring or contributing to the purchase of such items.

3

OUR RELATIONSHIP WITH YOU

Our relationship with you will depend on how the property is owned and whether you are a **connected tenant**.

Suffolk Life Annuities Limited is a subsidiary company within the Curtis Banks Group and will be the legal title holder of each property.

Where the whole of the property is to be purchased by Suffolk Life Annuities Limited we will be the sole legal owner of the property and will be registered as the legal proprietor at the relevant Land Registry.

See section 4 for more information on the joint title ownership structure.

Please remember

For most purchases Suffolk Life Annuities Limited will be the legal owner of the property.

For joint title ownership the property will be legally owned by all legal title holders who will be registered as the legal proprietor at the Land Registry.

In many cases, we will have purchased the property from a **connected party**, will be selling the property to a **connected party** or will be letting it to a **connected party**. In these cases we must act as if it were 'an arm's length transaction', that is, each party must be acting in their own self-interest and is not subject to any pressure or duress from the other. Where we let a property we own to a **connected tenant** we must ensure that a **valuer** is instructed to ascertain the market value or market rent applicable and undertake rent reviews where contained in the lease.

Our service

The property will be managed by our Property Management Teams unless a third party **property manager** has been appointed or the property is owned through the joint title ownership structure. In such cases the appointment of a **property manager** and **accountant** may be required.

The Property Management Teams undertake:

Setting up and maintaining your SIPP property records

Managing the property bank account

Arranging and renewing the property insurance

Communicating with all third parties including **valuers**, **property managers**, lenders and solicitors

Invoicing and collecting rent, insurance premiums and, where applicable, service charges

Paying third party invoices from your SIPP and recharging these, where possible, to tenants

Overseeing loan accounts and payments

Dealing with VAT for VAT elected properties

Arranging rent reviews

Arranging lease renewals

Arranging lease end procedures, including dilapidations settlements

Please remember

As an experienced provider of commercial property our processes are designed so your investment is managed in accordance with HMRC requirements.

3

OUR RELATIONSHIP WITH YOU (CONTINUED)

Credit control

Liaising with administrators and liquidators in the event of tenant failure

Receiving and processing tenant applications, for example to assign, sublet or alter or change the use of property

Re-letting the property

Arranging any development or building works

Arranging the valuation of the property for **drawdown** purposes

Arranging vacant inspections

Ensuring that the property is managed within **HMRC** requirements

Where there is a **connected tenant**, we are obliged by **HMRC** requirements to follow our standard processes as your SIPP may become liable for tax charges if treated more leniently. We will also check that all payments to **connected parties** (including a **property manager** or development companies) are at market rate for the works undertaken.

Curtis Banks does not hold the keys to properties and we do not visit the property to check on its condition or to visit the tenant. If there are any issues with the property we would expect to be kept informed either by the tenant, **property manager** (where one has been appointed) or by you. We may, from time to time, appoint a third party to make inspections.

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WHERE THE WHOLE OF THE
PROPERTY IS TO BE PURCHASED BY
SUFFOLK LIFE ANNUITIES LIMITED
WE WILL BE THE SOLE LEGAL
OWNER OF THE PROPERTY ’

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WAYS TO OWN PROPERTY WITHIN A SIPP

There are a number of flexible options in which you can invest in property and hold property with us. These are:

INDIVIDUAL PURCHASE

An individual SIPP purchasing the entire property. We'll open a separate property bank account in addition to your SIPP bank account. Cash will be transferred between the two accounts to meet the liabilities relating to property ownership.

GROUP PURCHASE BY CURTIS BANKS CLIENTS

The entire property can be purchased on behalf of more than one SIPP. If a number of clients require borrowing to fund the purchase only one loan agreement is required and we internally apportion liability for the loan between the various SIPPs.

A **Group Investment Agreement** between the SIPP clients will be needed. This document details the property ownership and debt shares of each SIPP, as well as the dealings and disposal process. On the Property Form you and your syndicated members will nominate a lead member for us to correspond with. It is important that this individual distributes the information received from us and communicates the instructions of the group to us.

A group property bank account will be established on behalf of the group to receive income, service obligations and distribute funds back to the invested SIPPs. You will become jointly and severally liable for costs associated with the property with your syndicated members; if your syndicated members cannot meet their obligations your SIPP funds may be used to meet these.

JOINT TITLE OWNERSHIP STRUCTURE

It is not necessary for SIPP client(s) to purchase 100% of the property using their SIPP(s). If part of the property is to be acquired using your SIPP(s), then the transaction will be structured by way of joint title ownership. Under such purchases, the legal title to the property is held collectively by all purchasers. A trust deed is established between the invested parties which outlines the allocated property ownership shares of Curtis Banks (on behalf of the invested SIPPs) and the other invested parties. The trust deed will also outline the obligations and responsibilities of all invested parties.

We will require the **accountant / property manager** to update us with the income and expenditure associated with the property and pay funds to Curtis Banks on a regular basis.

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HOW CAN THE PURCHASE BE FUNDED?

There are several methods of funding available to facilitate a property purchase, and which strategy is right for you will depend on your own personal situation. The methods are:

TRANSFERS

See your SIPP's Key Features.

Cash or in-specie transfers can be brought into your SIPP from other pension plans. In specie transfers are where the investments are transferred without selling them; for in specie transfers of property there will be no Stamp Duty Land Tax payable on the transaction. Please see your SIPP's Key Features for further information regarding transfers and discuss them with your **adviser**.

CONTRIBUTIONS

See your SIPP's Key Features.

Regular or single contributions may be paid by yourself, a third party or your employer. Please see your SIPP's Key Features for further information regarding contributions.

BORROWING

A SIPP can borrow up to

50%

of its net fund value

See section 1 for more information on your on going commitments.

A SIPP can borrow up to 50% of its net fund value. The ability to borrow does not cease when **benefits** are being paid from your SIPP; it can be put in place at any time for the purpose of purchasing or developing property.

The terms of the loan vary from case to case as they are often dependent on a variety of factors (for example, degree of risk to the lender) and any special mortgage conditions will need to be assessed on a case by case basis for acceptability. We will always require that the charge over the property be fixed to the value of your SIPP. The borrowing will need to be from a conventional High Street lender and we are quite happy to deal with the lender of your preference that meets our requirements. The loan must be in Suffolk Life Annuities Limited's name as the legal owner of the property and not the client personally.

The income generated from the property must be sufficient to fund all the liabilities associated with the property.

Sufficient funding for the property, any required cash float and all associated purchase costs must be in place within the investing SIPP(s) before contracts can be exchanged on a property purchase.

See section 4 for more information on the joint title ownership structure.

For joint title purchases the SIPP(s) can still acquire borrowing of up to 50% of their net fund values. Each title holder may, at our discretion, require their own separate loan. The debt is detailed under the trust deed. Where borrowing is to be allocated to the non-Curtis Banks clients, we insist that borrowing does not exceed 75% of the market value of their property ownership share. Borrowing should also be secured under a fixed charge.

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VAT

In certain circumstances the purchase of a property may be subject to VAT.

Please remember

Where a property is VAT elected, generally VAT must be charged on the rent, some goods and services and the sale of the property.

See [section 5](#) for more information on how the purchase can be funded.

When Curtis Banks buys a property which the seller has already elected for VAT, VAT may be payable on the purchase price. Generally, the VAT can be recovered (assuming the property tenant is not VAT exempt) but it will require funding from your SIPP until it is reclaimed. We will request the solicitor acting for us to confirm if VAT is likely to be payable, so we can agree the appropriate action with you.

Where a property is VAT elected, generally VAT must be charged on the rent, some goods and services and the sale of the property.

There are some circumstances where the sale or purchase of a VAT elected property may qualify as a Transfer of a Going Concern (TOGC) and, although Curtis Banks must VAT elect the property, VAT may not be payable on the purchase price or charged on a sale. Professional advice to confirm whether the TOGC provisions are satisfied may be required from a qualified VAT adviser, at separate cost.

Where a VAT election has not been made over the property to be purchased, VAT will generally not be payable. Some exceptions do exist, for instance new build properties. Therefore, unless substantial refurbishment (in which contractor's costs include VAT) is planned, VAT will not normally be an issue.

If required, VAT can be funded by SIPP borrowing. Any borrowing taken cannot exceed 50% of the value of your SIPP.

For joint title ownership purchases of VAT elected properties the VAT process applied may differ and we would recommend that you seek professional VAT advice from a qualified VAT adviser.

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PURCHASE PROCESS

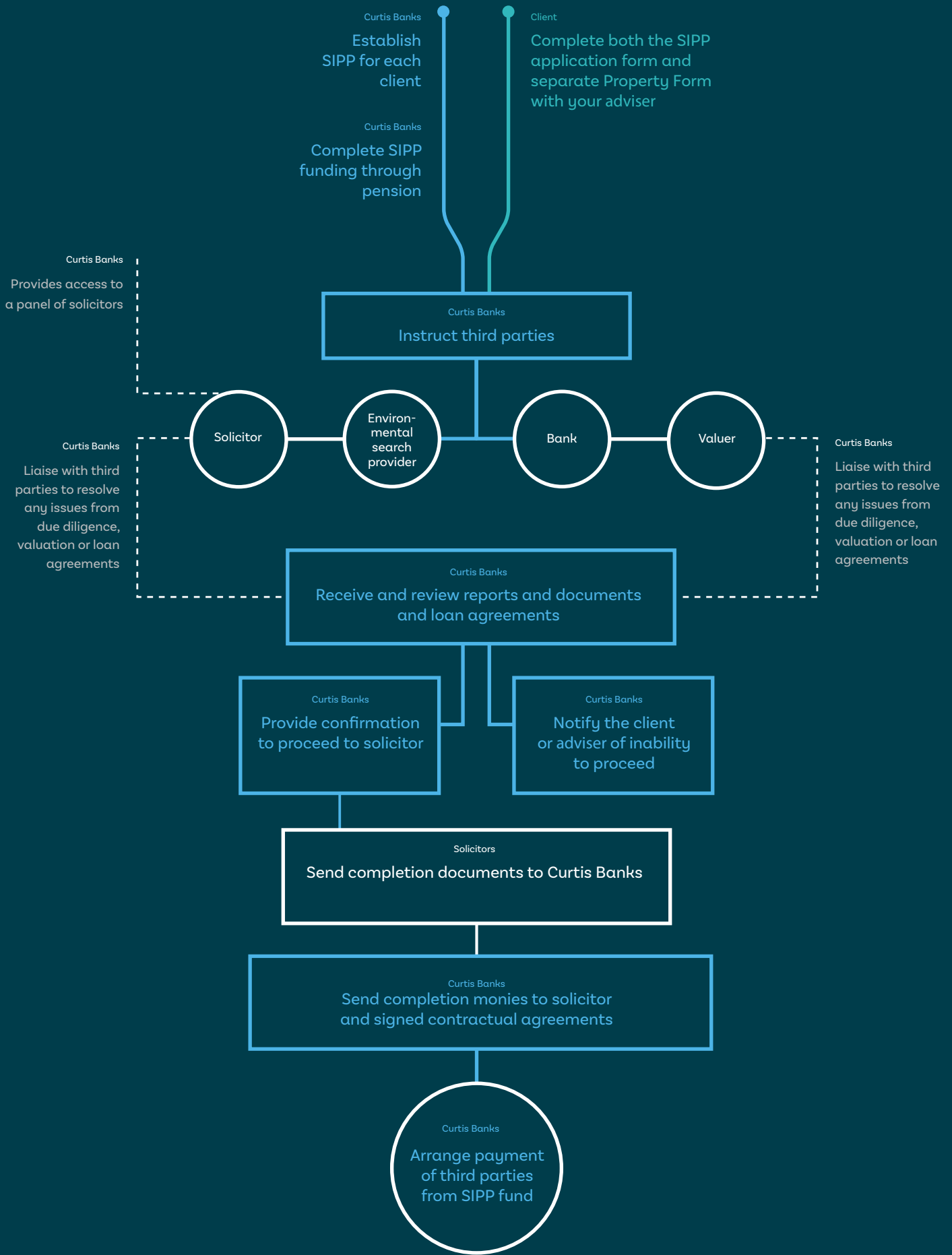
Every property transaction is different and the time it takes to complete a transaction is dependent upon many factors.

See your SIPP's
Key Features.

You may already have a SIPP with us when you find a property you wish us to purchase on behalf of your SIPP, or you may need to establish one first. In either case we will require you to complete a Property Form in order to collect all of the information we will need to start your transaction.

On receipt of this Property Form we will be able to instruct the relevant third parties. Every property transaction is different and the time it takes to complete a transaction is dependent upon many factors – third party solicitors, search providers (such as the local authority), lenders (if funding is required) and **valuer** – and so firm timescales may be difficult to provide.

Throughout the acquisition process we will undertake a variety of checks to protect your SIPP. Onerous owner and/or administrative obligations or regulatory concerns may prevent us from acquiring certain properties. The same due diligence process will extend to the in specie transfer of property from other pension plans. Please note that fees will still apply for the work undertaken on these aborted transactions.



Complete purchase

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CHOOSING YOUR THIRD PARTY RELATIONSHIPS

Through the life-cycle of holding property in your SIPP, you will need third party suppliers to assist you with a range of ongoing activities. Some of these activities are mandatory, some regulatory and others discretionary, but ultimately choosing the right suppliers can influence the performance of your investment. While we allow you to choose your own suppliers, the purchase and ongoing management of the property within a SIPP is a specialist area of undertaking.

See our Panel of Solicitors Guide.

Please remember

The solicitors are required to carry out the usual due diligence involved in purchasing property, including local and title searches. They must fully report to us on the title to the property and on any leases in place or to be granted.

CHOOSING A SOLICITOR

We have established a panel of legal firms situated throughout the UK who are experienced at dealing with SIPP transactions and acting on our behalf.

If you advise us that you wish us to instruct one of these firms, our fees for dealing with your transaction will be less than if you choose an off panel solicitor. To find out more about our panel firms please see our Panel of Solicitors Guide, available on our website. You may, however, choose which firm of solicitors outside of our panel to deal with the purchase of the property if you wish.

As Suffolk Life Annuities Limited will be purchasing the property (or will hold joint title) on behalf of your SIPP we will instruct the solicitor. We will be the solicitor's client and all ongoing instructions to the solicitor must come from us.

The solicitors are required to carry out the usual due diligence involved in purchasing property, including local and title searches. They must fully report to us on the title to the property and on any leases in place or to be granted. If, after receipt of the solicitor's reports we require any further investigations to be made, we will instruct the solicitor to make them. Our ability to proceed with the purchase will be dependent on the outcome of their due diligence.

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CHOOSING YOUR THIRD PARTY RELATIONSHIPS (CONTINUED)

See section 1 for more information on valuations.

CHOOSING A VALUER

You will need to advise us which **valuer** you wish us to instruct. All reports produced by the **valuer** must be addressed to us. We will ask that they advise on the following, where relevant;

- The current open market value of the property.
- Where the property is adjacent to any land or property owned by you or a **connected party** whether, among other things, there is an enhanced valuation of the other property.
- The value for which the building should be insured on a new for old basis and to include professional fees and removal of debris etc. (unless land only).
- The approximate age of the property (unless land only).
- Whether the property is compliant with asbestos regulations.
- Confirmation that the property is not **taxable property**.
- Whether an energy performance certificate is required.
- If there is to be a lease to a **connected tenant**, the exact term, rent and conditions of an appropriate lease to be granted by us or the joint title holders.
- If the property is or is intended to be occupied by more than one tenant:
 - That the property is capable of being physically split.
 - Advice on how the building's value (for insurance purposes) should be split between the tenants.
- Where we are acquiring a property that is subject to on-going building works, we specifically require that the **valuer** re-inspects the property prior to completion in order to confirm that the works have been carried out to the standard agreed.

Please contact our Property Valuations Team if you have any questions.

ENVIRONMENTAL SEARCHES

Prior to purchasing the property we will instruct desktop environmental searches from our chosen provider to be undertaken and reserve the right to refuse to purchase properties that pose significant environmental risks that cannot be mitigated.

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INSURANCE REQUIREMENTS

Properties held within your SIPP must always be insured. It is important that the property is always appropriately insured to ensure that both your pension investment and Curtis Banks, where we are legal owner of the property, are adequately protected.

See the Property Insurance notes.

Curtis Banks has arranged a block insurance policy through which the properties legally owned by Suffolk Life Annuities Limited will be insured from outset. Insurance through our block policy will cover:

- All risks of physical loss or damage including theft, sprinkler leakage, breakage of fixed glass, subsidence, landslip and heave.
- Damage following a terrorism incident.
- Loss of rent as a result of damage.

The property will be insured for the cost of rebuilding the property (also known as the reinstatement value). The insurance requires that building values are assessed by a **valuer** and a new insurance valuation undertaken at least every seven years; it is your responsibility to ensure that Curtis Banks are instructed to value the property for this purpose. In the event that insurers reject a claim for any reason, we cannot accept any liability for the resultant loss to your SIPP. We will retain any commission we are paid in respect of the block insurance policy.

The cost of the insurance will initially be met from your SIPP and then will be recharged to the tenant(s) if permitted and in accordance with the terms of the lease. Please be aware that if the property is vacant we still require that it is insured. For vacant properties the cost of insurance will be met from your SIPP. If the property is vacant will arrange a monthly vacant inspection regime to comply with the insurance requirements and to ensure that the property remains secure, in a good state of repair and is protected from trespassers. The cost of vacant inspections will be met from your SIPP.

See section 4 for more information on the nominee structure.

Where the property is held by joint title holders and under the terms of the trust deed all title holders choose to insure the property, or the **freehold** is owned by a third party who has an obligation to insure the property, we will require a copy of their insurance policy on which our interest is noted. In these cases we will also insure loss of rent and Suffolk Life Annuities Limited's public liability as property owner, again through our block insurance policy.

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LETTING THE PROPERTY

Letting your property will result in the rent being paid into your SIPP to help you provide for your retirement.

Any occupation of the property must be formalised by a tenancy agreement such as a lease. The lease will set out all of the obligations of the tenant and Curtis Banks as the landlord. From 1 April 2018 the Minimum Energy Efficiency Standards (MEES) means that a lease for a property in England or Wales may only be granted or amended if the property has an energy performance rating of 'A' to 'E', or, if that property holds a valid exemption from the regulations.

LEASE TERMS

For all leased properties Curtis Banks requires that a Full Repairing and Insuring (FRI) lease is entered into. A Full Repairing and Insuring (FRI) lease ensures that your SIPP is protected from liabilities that may arise in connection with possession and upkeep of the property. This means that the tenant will be solely responsible for maintaining the property and complying with all relevant statutory obligations.

All new leases must be in Suffolk Life Annuities Limited's name as the owner of the property unless we are a joint title holder, in which case all title holders will be named on the lease. Where we are purchasing a property with a tenant in occupation the terms of the existing lease must be acceptable to us. If the existing terms do not meet our requirements we reserve the right to refuse the property with the existing lease or request a formal amendment to the terms.

Please remember

Where there are obligations that cannot be delegated to the **tenant**, Curtis Banks may require a **property manager** to be appointed.

Occasionally there are obligations that cannot be delegated to the tenant. In these circumstances Curtis Banks may require a **property manager** to be appointed. A **property manager** must be appointed for multi-let properties as there will often be common areas such as the structure and internal and external common parts and services (such as internal corridors, stairs, kitchens, shared grounds and car parks, or common services such as fire alarms). In these cases Internal Repairing Leases (IR) incorporating a Service Charge is common to meet the costs associated with the upkeep of these requirements.

A **property manager** must also be appointed in instances where there is a residential element to the property or where the area covered by the lease does not comprise all of the property held by your SIPP. For example, a shop where the shop forecourt has not been included in the lease.

The requirement for a **property manager** to be appointed is to mitigate the risks posed to your SIPP and Curtis Banks by ensuring that all health and safety and statutory requirements are complied with.

The lease terms should reflect the market terms and rent for you to gain the most benefit to your SIPP. Where the lease is between Curtis Banks and a **connected tenant** the rent must be determined by a **valuer** and regular rent reviews conducted as paying rent below market rent is contrary to **HMRC** requirements.

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LETTING THE PROPERTY (CONTINUED)

THE TENANT

Please remember

If you are a **connected tenant** we will instruct an independent **valuer** to ascertain the applicable market rent.

You may choose to let the property as a whole to a single tenant or, if the property is capable of being divided into parts, to multiple tenants. If you choose to let the property to multiple tenants we need to ensure that there is a lease in place for each tenant.

While it is your responsibility to advise us of the proposed tenant for the property, we can market the property through an agent of your choice for you to identify potential tenants. All tenancies must be agreed by Curtis Banks as landlord or beneficial owner. Unauthorised occupants will result in a breach of our and **HMRC** requirements and may result in significant tax penalties to your SIPP.

Our requirements will be dependent on the type of tenant; if you are a **connected tenant** we must instruct a **valuer** to ascertain the market rent applicable and undertake rent reviews where contained in the lease. We are unable to treat **connected tenants** more leniently than any other tenant and rental payments must be made to protect your SIPP from tax penalties.

RENT COLLECTION AND ARREARS

Unless the property is held under the joint title ownership structure or managed by a **property manager**, we will collect rent, insurance costs and service charges.

Curtis Banks does not undertake credit checks on the tenant, however, you can request or we may be advised to request additional security such as a rent deposit or a guarantor(s) to be joined in the lease.

If we are experiencing prolonged difficulties in collecting rent our Property Credit Control Team will notify you. If we exhaust our internal rent chasing process without recovering the debt, we may move to formally pursuing the debt and/or to bring the lease to an end (forfeiting the lease). You should be aware that, unless the tenant is a **connected tenant**, it will be your decision whether or not to pursue a tenant should they fail to comply with the terms of the lease. We must always pursue a **connected tenant** to ensure your SIPP and Curtis Banks are protected from **HMRC** penalties. Any third party costs charged as a result of the rent arrears process (such as solicitor's, **valuer's** or bailiff's costs), whether there is a **connected** or **unconnected tenant**, will be payable from your SIPP and, where possible, recharged to the tenant.

RENT REVIEWS

Please remember

Curtis Banks will notify you in advance when a rent review is due.

A lease will usually include the requirement for the rent to be reviewed periodically, this ensures that your SIPP is benefiting from collecting market rent. Curtis Banks will notify you in advance when a rent review is due and you will be asked to nominate your preferred valuer for us to instruct.

Where the tenant is an **unconnected tenant** you could choose to waive the right to undertake the rent review. However, where there is a **connected tenant** we are required as a result of **HMRC** requirements to ensure that the tenant is not benefiting from a non-market rent. If a **connected tenant** is allowed to benefit from a lower than market rent tax penalties would be levied on your SIPP and Curtis Banks.

For **connected tenant** rent reviews if you do not tell us which **valuer** you wish to use, we will appoint a **valuer** that has previously been instructed for your SIPP to ensure that the review is conducted.

While the initial cost from the rent review will be met from your SIPP the process is usually beneficial in the long term as it will ensure that your SIPP receives the market rate of rent.

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LETTING THE PROPERTY (CONTINUED)

SUBLETTING OR ASSIGNMENT

Depending on the terms of the lease the tenant may request that they sublet part or all of property or to assign the lease to another tenant. Prior written consent of Curtis Banks is required and the sublet or assignment must be formally documented. If the lease is assigned the new tenant will pay Curtis Banks, the property manager / accountant directly. If all or part of the property is sublet the rent received from the sublet is retained by the tenant and the tenant's obligations under the original lease remain.

TERMINATION OF THE LEASE DURING THE TERM

There are a number of methods to terminate the lease. Both Curtis Banks as landlord and the tenant must abide by strict timescales to give notice to vacate the property. These will be set out within the lease or will be in accordance with the Landlord and Tenant Act 1954.

- **Break clauses**
 - **Forfeiture**
-

END OF THE LEASE TERM OR RENEWAL

Our Property Management Team will notify you when the current occupational lease is due to expire to seek your instructions. It is important to note that the action required at the expiry of the lease will depend on the terms of the existing lease. In England and Wales each lease will either be included or excluded from the terms of the 1954 Landlord and Tenant Act ('the Act') and this will determine what action can be taken as set out below. In Northern Ireland the Act has been largely replicated by the Business Tenancies (Northern Ireland) Order 1996 and generally tenancies with a term greater than 9 months will be subject to equivalent protections. In Scotland the Act does not apply but either party must give at least 40 days' notice of termination of the lease.

- **Leases included within the Landlord and Tenant Act 1954**

If the lease is included within the Act it gives the tenant the right to remain in occupation of the property subject to the same terms as the existing lease until either party serves notice to bring the lease to an end or for a new lease to be drawn up. This is known as 'security of tenure'. A landlord can only refuse to grant a new lease if the grounds set out within the Act are satisfied.
- **Leases excluded from the Landlord and Tenant Act 1954**

If the lease is excluded from the Act, commonly known as 'contracted out', it means that when the lease expires the tenant has no right to remain in occupation unless a new lease has been granted. If the tenant remains in occupation paying the rent and the landlord accepts the rent there is a risk that the tenant can obtain security of tenure and their occupation will become protected by the Act. To then obtain vacant possession of the property or a new lease we would then be required to serve new notices.

Where an existing lease is excluded from the Act it is important that a new lease is completed to coincide with the expiry of the previous lease. If for any reason the lease is not completed in time a short term tenancy at must be put in place to cover the terms of occupancy.

In all cases with a **connected tenant** all new terms for a new lease must be advised by a **valuer**.

You may propose the terms for the new lease with an **unconnected tenant**. Curtis Banks will check these with the tenant to seek agreement. In some cases if the terms cannot be agreed a **valuer** will need to be instructed to negotiate the terms between the parties.

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LETTING THE PROPERTY (CONTINUED)

In all lease renewal cases where a new lease will be put in place dilapidations should be considered. Once new lease terms have been agreed a solicitor will be instructed by Curtis Banks to draw up the legal documentation. This can be a solicitor of your choice or a solicitor from our Panel of Solicitors.

VACATION AT THE END OF A LEASE

If you would like to remove the tenant at the end of the lease where the lease is contracted out of the Act you will need to notify Curtis Banks at least six months in advance of the lease end date with your chosen solicitor and **valuer** so we can instruct the required notices to be made and arrange for a dilapidations inspection to be undertaken.

MINIMUM ENERGY EFFICIENCY STANDARDS

Since 2008 it has been a legal requirement that certain commercial properties hold a valid Energy Performance Certificate (EPC) before they are sold or let.

From 1 April 2018 the Minimum Energy Efficiency Standards (MEES) means that a lease for a property in England or Wales may only be granted or amended if the property has an energy performance rating of 'A' to 'E', or, if that property holds a valid exemption from the regulations. If the property doesn't hold a minimum 'E' rating and is not exempt, one of the following actions must be taken:

- **Undertake building works to gain an energy performance rating to 'E' or better**
If a lease is to be granted or amended, the works required to procure the minimum standard must be completed before we exchange contracts on a property purchase or agree to any lease or amendments. You may wish to consult or direct us to an Energy Assessor to evaluate whether building works are feasible.
- **Validate an exemption from MEES**
If the property qualifies for an exemption, necessary evidence will be required so that we, Curtis Banks, can make the exemption application as landlord. Most exemptions are temporary, and, where this is the case, we require confirmation as to how the minimum rating will be procured prior to expiry of exemption.

Where the minimum rating can be secured by completing renovations or improvement work, a property purchase will only be considered on the basis that the following is satisfied and received:

1. Validation from an energy assessor, surveyor (or equivalent) that improvements will secure the minimum E rating;
2. A schedule outlining the costs of the improvements required to meet the minimum rating;
3. Sufficient SIPP funds to pay for the improvements are held (must be held within the SIPP account upon exchange of contracts); and
4. The property must remain vacant until the improvements are completed, the minimum rating obtained and a formal lease granted. Where we are to acquire a vacant property a cash float will need to be taken with regard to satisfying any lending criteria. [For further information see section 10 'does the property have to be let].

At present these regulations do not extend to property in Scotland and Northern Ireland. You may wish to contact us to discuss this should any further detail be required.

We recommend that you discuss this with a qualified property professional.

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VACANT PROPERTY

While we allow vacant property we would encourage you to ensure the property is let so your SIPP can benefit from the rental income stream.

If the property becomes vacant it is important there is sufficient liquidity within your SIPP to ensure that ongoing costs are met. Costs include insurance, third party and SIPP fees and, where applicable, service charges, business rates and loan payments. Where you choose to leave the property vacant or the rent does not meet the ongoing liabilities, we will require that a cash float is available to ensure these liabilities can be met. The float size will be dependent on the scale of the liabilities and will be advised to you during the purchase process.

Please refer to the Property Insurance Notes.

If the property is vacant a monthly vacant inspection regime by a third party professional is required to ensure that the property remains secure, in a good state of repair, is protected from trespassers and to comply with the property insurance requirements. Utilising an inspection regime will help protect the property and ultimately the value of your SIPP. Benefits of inspections include:

- notification of any damage, vandalism or security issues which may require action;
- identification of unauthorised occupation (i.e. where no tenancy agreement has been issued by Curtis Banks);
- identification and management of issues regarding waste, fly tipping etc

We have arranged for all monthly vacant inspections to be provided by Orbis Protect Limited ('Orbis'). To ensure that your SIPP terms and conditions and minimum vacant property insurance requirements are met Orbis will:

- Undertake monthly internal and external inspections. A record of inspections will be maintained, made available to Curtis Banks and supplied to insurers on request;
- Ensure that the building(s) or land is kept secure and, where relevant that all external doors are kept securely locked and letter boxes are blocked. The identification of trespassers will be notified to Curtis Banks and local police;
- Monitor the buildings general state of repair. Any defects in the state of repair of the building, or security/alarm or fire protection will be reported to Curtis Banks immediately;
- Manage potential fire risks by removing all combustible materials from the premises and externally from the site.

All costs associated with the inspection and any remedial works will be met from your SIPP. We will contact you if there are any matters arising from the inspection and in the event that it is not a security or health and safety breach we will obtain your approval in advance of the work and expenditure. In the event that Orbis cannot gain entry to the property or Curtis Banks are notified of risks to security, compliance with statutory obligations or risks to the public we will ensure that the rectification is undertaken in a timely manner and may instruct completion of the work without your instruction.

It is important that no persons use the property without Curtis Banks' knowledge as this will have implications on the insurance cover and will breach HMRC requirements which will lead to tax penalties. If you wish to re-let a vacant property please contact our Tenant Changes Team who will arrange for a formal tenancy to be established.

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DEVELOPMENTS AND RENOVATIONS

It is possible to construct, develop or renovate property within your SIPP, using the funds from the invested SIPP(s) or arrange borrowing to do so.

Please remember

Development works of any type can be a complex area and it is essential that no works of any kind are instigated without our prior knowledge.

In order for us to assess the acceptability of any type of development works, the following will need to be considered and addressed before any works can be agreed:

- We are required to act as any independent landlord would in the open market. As such, in the first instance we require a **valuer** to confirm whether it is reasonable for your SIPP(s), to pay for the works. This will enable us to demonstrate to **HMRC** that the works are properly payable through the pension fund.

A valuation of the property by a **valuer** will be required. If a property is already subject to a lease, we could expect your SIPP to benefit from an increased rent when the work is complete and the **valuer** would be instructed to advise on any amendments to the lease terms, to include any rent increase.

However, where an existing fully repairing and insuring (FRI) lease exists, it is generally unlikely your SIPP will be permitted to fund such works.

- Prior to any development works being carried out, appropriate planning permission needs to be obtained.
- We require separate quotations from at least two different contractors. This enables us to compare the costs involved and ensure your SIPP is charged fairly.
- Rent reviews in accordance with the terms of the lease.
- In most cases the work must be completed by a single contractor, who must generally be independent from you. In some circumstances we may consider the appointment of a **connected party** who is a contractor, although separate professional advice regarding the cost and extent of the services provided will need to be sought, at additional cost. This will enable us to ensure that the works have been fairly priced.

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DEVELOPMENTS AND RENOVATIONS (CONTINUED)

- We will instruct the chosen contractor to complete the works but before doing so we will require a Construction Phase Plan to be provided.
- We retain precedent contract documentation that we will use in all cases. The type of contract used will depend on the specifications and nature of the development. The contract will be between us, as the landlord/owner, and the contractor. It will set out the works to be completed for a fixed price.
- We may need to appoint an architect or project supervisor to act on our behalf to complete our contract document. This includes drawing up and/or acquiring the necessary procurements, warranties and other development-related SIPP provisions and advice. The professional(s) required will depend on which contract is being used, which is at our discretion. Any professional appointed will be formally instructed by Curtis Banks.
- We are a compulsory member of the Construction Industry Scheme, and we require the contractor to also be a member. Various tax details must be provided to us by any contractor in order for us to make payment to them, in accordance with **HMRC** requirements.

Funding for the works and all associated costs, including VAT, must be held within your SIPP(s) before any contracts can be signed and works formally instigated.

In most cases VAT is payable on building works. The VAT can be recovered, but to do so we will need to ensure that the VAT exemption over the property is waived before any development begins. It can take three to five months to reclaim VAT.

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SALE OF THE PROPERTY

Investment in property is generally for the long-term. When you wish to sell, we are here to help.

Sale of the Property

You can choose to sell the property at any point. Curtis Banks will need to ensure that our requirements are met in advance of the sale. The proceeds of the sale will be retained within the SIPP.

Withdrawal of a syndicated member

Where the property is held by a group of clients the sale will take place in accordance with the terms of the **Group Investment Agreement**. Your syndicated members will have two months to decide whether or not to purchase the share or introduce a third party buyer. If a decision hasn't been made in this time, you can then sell your share of the property on the open market.

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FEES

The fees for holding a SIPP and the associated property fees are set out within the Schedule of Fees for your product.

Details of all our fees can be found in the Schedule of Fees.

Order of disposal

If you do not make cash available to meet liabilities that have been notified to you we may need to force the sale of the property. Where this occurs we will follow our Order of Disposal Policy which is available on request.

There will be fees payable to us for acquiring and disposing of a property on behalf of your SIPP and ongoing fees associated with the continued ownership of a commercial property on behalf of your SIPP including the administration involved with the management of the property. Fees are also payable if the property is VAT registered. These fees are in addition to any other Curtis Banks fees payable for us opening and administering your SIPP.

All fees associated with the property will be taken from your SIPP property bank account. This account is specific to the property. Where there are a group of clients the fees will be split proportionally in accordance with the ownership percentages. It is your responsibility to ensure that there are sufficient monies within this account to meet the fees. Where funds are not available we will follow our Order of Disposal policy.

There will also be third party fee and bills which need paying. These will also be paid from your SIPP and under the terms and conditions; you agree to indemnify us for these costs. Please note that there may be fees which are payable to third parties even when a transaction does not proceed to completion. These aborted transaction fees will be time costed.

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GLOSSARY

Pensions and property can be complex. To make this guide as easy to understand as possible, we've prepared a glossary of the terms that appear throughout this document.

ACCOUNTANT

A professional who holds ACA, ACCA, CIMA or equivalent qualification.

ADVISER

A financial adviser nominated by you who you authorise to receive communications in respect of your SIPP and to give instructions on your behalf.

BENEFITS

A lump sum payment and/or income payable by **drawdown** or by buying an annuity or a combination of both.

CONNECTED PARTY/TENANT/ UNCONNECTED PARTY

A connected party is any person that falls within the definition of a connected person in section 993 of the Income Tax Act 2007. A connected party includes family members or any company or partnership connected with you or your relative.

COMMONHOLD

This involves the freehold tenure of part of a multi-occupancy building with shared ownership of and responsibility for common areas and services.

DRAWDOWN

Taking **benefits** from your pension fund, in the form of an income, while it's still invested.

FREEHOLD

Permanent and absolute tenure of land or property with freedom to dispose of it at will.

GROUP INVESTMENT AGREEMENT

Curtis Banks' standard agreement for properties which are owned by a number of SIPP clients.

HMRC

Her Majesty's Revenue & Customs, the UK tax authority.

LEASEHOLD

An interest in a property held under a rental agreement (lease) by which the owner gives another the right to occupy or use land for a set period of time ownership of the property returns to the landlord when the lease comes to an end.

PROPERTY MANAGER

A individual or company qualified and registered with the Royal Institution of Chartered Surveyors (RICS) that is appointed to manage the day-to-day functioning of the property including for example collection of rent and service charges and ensuring the common areas of the property.

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GLOSSARY (CONTINUED)

TAXABLE PROPERTY

If a property is used for, or is suitable for use as a dwelling, or is land that forms part of the garden or grounds of such a property, it may be classed as taxable property. Taxable property is also all tangible moving assets that are separate to the bricks and mortar of the property. The full definition is set out in the Finance Act 2004.

VALUER

A firm of valuers or surveyors that are qualified and registered with the Royal Institution of Chartered Surveyors (RICS).

HERE TO HELP

IF YOU HAVE ANY QUESTIONS ABOUT THE
TOPICS DISCUSSED IN THIS GUIDE WE'D BE
HAPPY TO HELP



Have a property query?

New Property Enquiries

ifaenquiries@suffolklife.co.uk
01473 296 950

- Adviser enquiries for new property purchase

Property New Business Team

buyingproperty@suffolklife.co.uk
01473 296 962

- Purchases
- Sales
- Transfers

Property Management Team

managingproperty@suffolklife.co.uk
01473 296 961

- Existing leases and renewals
- Rent reviews
- Service charge, utility bills and other invoice queries
- Administration
- Property Manager queries

Tenant Changes Team

tenantchanges@suffolklife.co.uk
01473 296 995

- New leases
- Lease surrenders
- Lease assignments

Developing Property Team

developingproperty@suffolklife.co.uk
01473 296 995

- Building works
- Development queries

Property Risk Management Team

propertyriskmanagement@suffolklife.co.uk
01473 296 802

- Post completion formalities
- Loan Enquiries
- Loan payment failures and associated process
- Property re-ownership (voluntary, forced, death and pension share)
- Insurance

Property Valuations Team

propertyvaluations@suffolklife.co.uk
01473 296 939

- Drawdown valuations

Property Credit Control Team

propertycreditcontrol@suffolklife.co.uk
01473 296 939

- Rent, insurance and service charge arrears

We may record and monitor calls. Call charges will vary. Please remember not to send any personal, financial or banking information via email as it is not a secure method of communication.

NOTES



Curtis Banks T 0370 414 7000
153 Princes Street, F 0370 414 8000
Ipswich, IP1 1QJ curtisbanks.co.uk

Call charges will vary. We may monitor and record calls.

If you're contacting us by email, please remember not to send any personal, financial or banking information because email is not a secure method of communication. Curtis Banks Pensions is a trading name of Suffolk Life Pensions Limited.

Suffolk Life Pensions Limited is a company registered in England and Wales (registered number 1180742) and is authorised and regulated by the Financial Conduct Authority (number 116298). Suffolk Life Annuities Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (number 110468) and is registered in England and Wales (number 1011674). The registered address of both companies is 153 Princes Street, Ipswich, IP1 1QJ. SL136.201902 February 2019

