

## CASE STUDY

# PURCHASING A CARE HOME

APPROVED FOR ADVISER USE ONLY | JANUARY 2024



*A client wants to understand if it is possible to acquire a care home within a SIPP, given the residential nature of the property.*

### The Challenges

Dipti has an existing SIPP with Curtis Banks, and runs a successful care provider business operating case homes across the country.

Dipti's SIPP is currently invested in stocks and shares, but she has seen online that she is able to acquire commercial property via her pension, which is something that she is keen to explore.

Dipti is unsure whether a care home would be classed as commercial property, noting its residential nature, so she calls her financial adviser Jacob to understand more.

### The Actions

Jacob speaks with his contact at Curtis Banks and reports back to Dipti that in principle, SIPPs can acquire care homes. However, as there is a residential element to the property, there are additional due diligence steps that will need to be undertaken as part of the purchase process to understand whether the property satisfies HMRC regulations.

Jacob explains to Dipti that these additional steps are important: if the property was deemed to be taxable property under HMRC regulations there are onerous tax charges of up to 70% of the asset value.

The solicitor and valuer acting in the transaction will need to provide some additional advice to meet the requirements.

Jacob emails Dipti following their meeting to confirm these requirements as follows:

- 24-hour care must be provided on site
- The property must have planning permission to be used as a care home
- A qualified valuer must advise Curtis Banks that the property is not taxable under HMRC regulations. If a valuer is unable to do so, an accountant must be instructed to provide this advice.

Dipti identifies a property online which is presently used as a care home, and has the appropriate planning use to operate as such. Dipti's intention is that her company will occupy the property under a lease on completion of the purchase.

Jacob asks whether there is any manager's accommodation within the property, and Dipti confirms that there isn't. Jacob tells Dipti that if this was the case, additional requirements would apply.

### The Results

Dipti submits a Property Form to Curtis Banks, whose representatives instruct her chosen professionals.

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As part of the due diligence process, Curtis Banks obtains explicit advice from the solicitor and valuer in respect of the care home requirements. The solicitor drafts a lease to Dipti's company on the terms advised by the valuer. This lease will apply from the point of completion.

Once due diligence has been completed, including the additional requirements regarding the care home regulations, Curtis Banks sends the completion monies to the solicitor to complete the purchase.

Moving forward, Dipti knows that if any of the care home requirements are no longer met, she will need to contact Curtis Banks immediately to discuss next steps, to avoid a taxable property issue arising.

#### **Important points to consider**

The value of pension funds may fall as well as rise. Your money is tied up until you take your benefits. Benefits can generally be taken any time after age 55, although this is due to increase to 57 in 2028.

This information is based on our understanding of current legislation, including (but not limited to) FCA, PRA and HMRC regulation. It does not constitute any form of advice.

#### **Contact details**

If you'd like to speak to us about anything in this case study, please contact us on:

**T 0370 414 7000**

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

**E [enquiries@curtisbanks.co.uk](mailto:enquiries@curtisbanks.co.uk)**

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