

Joint Property Transactions

Commercial property has been a popular form of investment for both SIPPs (Self Invested Personal Pensions) and SSASs (Small Self Administered Schemes) for many years but reductions in the Annual Allowance and borrowing limits mean that such pension schemes may have insufficient buying power to secure a commercial property outright on day one.

A SIPP or SSAS can however jointly own a property with one or more other parties (e.g. other pension schemes, individuals, companies) and possibly go on to acquire the entire property in stages. To achieve this in an efficient manner, we propose the use of a Declaration of Trust.

What a Declaration of Trust is and how it works

- > The trust is a transparent tax neutral arrangement
- > Up to four trustees will be appointed to hold the property as nominee for the beneficial owners (i.e. the contributing parties, including the SIPP and/or SSAS)
- > The trustees will be selected from the beneficial owners and will include one of Dentons' bare trustee companies
- > The trustees will be the registered owners of the property at the Land Registry
- > Each contributing party's beneficial interest in the property will be shown as a percentage of the entire property
- > Any subsequent purchase/sale of beneficial interests between the parties, is recorded by changing their allocated percentages by an amendment to the trust. To avoid any subsequent purchase/sale of beneficial interests being deemed 'linked transactions' for Stamp Duty Land Tax (SDLT) purposes, there must be no prior arrangement or understanding between the parties that there would be a series of transfers.
- > The diagram below shows how different entities might hold part ownership of a property:

- > The trustees hold the property as nominee for the beneficial ownership of the underlying contributing parties
- > Enables a streamlined means of adjusting the allocated proportions between parties if there are subsequent purchases/sales between the parties



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Independent valuation requirements

A change in the proportional ownership of a jointly held property involving connected parties will usually require an independent professional valuation by a Fellow of the Royal Institution of Chartered Surveyors (FRICS) or a Member of RICS (MRICS) who is a Registered Valuer, to ensure the change is at market value

Please note: Any borrowing taken out by a party to a joint property purchase must limit the lender's recourse to the value of that party's beneficial interest in the property. A lender's permission will also be required for any changes in the proportional ownership, particularly if the borrower's proportion is reduced.



Dentons Pension Management Ltd
Sutton House, Weyside Park
Catteshall Lane, Godalming
Surrey GU7 1XE

T 01483 521 521
F 01483 521 515
E enquiries@dentonspensions.co.uk
W www.dentonspensions.co.uk

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VAT number for Dentons Pension Management Limited is 863 1639 14