For Financial Adviser use only

Dentons Pensions

Transfer in specie between SIPPs.

A case study

Mr Arkwright has an existing SIPP which holds a commercial property and an investment platform managed by his adviser. The property is leased to his own business. His existing SIPP provider has increased its fees upwards and imposed new conditions with regards to the compulsory use of a property manager, for which additional fees are also now payable.

Mr Arkwright was previously able to handle the relatively simple property management himself which consisted of rental invoicing, quarterly VAT returns and annual insurance. This has coincided with a drop in service standards by the existing provider.

The facts

- A SIPP provider can often "dictate terms" under which it operates its SIPP: this might be to standardise their client proposition to aid their administration but it doesn't usually offer flexibility for the client
- A new SIPP provider cannot step into an individual's current SIPP. The SIPP fund must be transferred to a new SIPP with the new provider. Title to any assets that are to be transferred without being converted to cash, known as an 'in specie transfer', will be moved to the trustees of the new SIPP
- The Dentons SIPP operates with the member being a co-trustee alongside Dentons' trustee company, Denton & Co Trustees Limited. It is up to the member trustee to decide who should undertake property management and which solicitors, surveyors and insurers should be used. Dentons does not restrict this
- The adviser determines that although there is a cost for the in specie transfer, long term savings will be made due to lower ongoing annual fees. Mr Arkwright will also benefit from being able to manage his own property with minimal additional costs as well as Dentons' award winning service standards.

The process

- The adviser reviews the market to find a flexible property specialist SIPP provider, such as Dentons
- Dentons, as the new SIPP provider, must first review the current SIPP assets to determine if they can be accepted. In terms of the property, this would involve collection of data relating to the property address, if it is freehold/leasehold, the terms of tenancy and if the property is opted to tax for VAT purposes. Certain other details such as asbestos management plans and Energy Performance Certificates (EPCs) might also be necessary
- It is confirmed that the investment platform only holds regulated funds
- Once all assets have been confirmed as acceptable, a new Dentons SIPP can be established and a new (and initially empty) investment platform is created with the same platform provider. The old SIPP provider is then instructed to transfer in specie all current holdings into the new platform account. Solicitors are instructed to re-register title of the property into the name of the new SIPP trustees
- Finally, any residual cash is transferred from the old SIPP to the new Dentons SIPP.

The result

- The assets are moved in specie to the new SIPP resulting in no sale/ repurchase property costs. Mr Arkwright is able to continue to self manage his property meaning ongoing annual fees will be less than his old SIPP
- The adviser is able to continue to manage the current portfolio of funds with the same platform provider with potential to invest current cash holdings and future rental receipts
- Mr Arkwright is reassured that due to Dentons' bespoke approach to their services, all the necessary requirements of the SIPP are being met and he can call upon Dentons, other services as required.

Key Points

- Need to take into account the costs of re-registration of title of assets to be transferred in specie, including solicitor's legal fees and Land Registry charges
- Dentons' approach offers flexible SIPP administration. Dentons will make sure all necessary reporting requirements are met but other tasks can be undertaken as required
- Dentons will require copies of all relevant property documents including environmental risk assessments, tenancy agreements, EPCs and asbestos management plans
- Properties with an outstanding mortgage debt will take longer to transfer and may be more expensive due to the necessary agreement of the lender to re-document the loan.
- Properties with rental arrears or other tenancy problems may be more problematical to transfer
- The new SIPP trustees will need to register for VAT and opt to tax a property before being able to accept a property that has been opted to tax. It should also be noted that VAT will be payable on the transfer of such a property unless it qualifies as a Transfer of a Going Concern (TOGC).

Notes

- This case study is for Financial Adviser use only and not for use by retail clients
- All statements concerning the tax treatment of products and their benefits are basedon our understanding of the current law and HM Revenue & Customs (HMRC) rules. These are for general guidance only and do not constitute professional advice.The tax treatment depends on the individual client circumstances and may be subjectto change. Whilst every effort has been made to ensure accuracy, no liability can be accepted for any errors or omissions
- If VAT may be applicable, you should seek specialist advice
- Whilst the names used in this case study are fictitious, the processes described have been used in actual cases
- Every care has been taken to ensure that the information provided is correct and in accordance with our understanding of current law and HMRC rules, which are both subject to change.

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