YOUR UNPUTDOWNABLE GUIDE TO BUYING COMMERCIAL PROPERTY WITH YOUR PENSION FUND

Cardens

If you're running a SUCCESSFUL business and OUTGROWING your rented premises, you're probably thinking about BUYING YOUR OWN COMMERCIAL PROPERTY.

As an entrepreneur, you might feel that a pension fund is 'dead' money. People talk about the tax relief, but you're not convinced.

You'd rather keep the money in your business where you have control.

Pension funds are just boring.

But what if you could use your pension fund to buy your own company premises?

It's a **VIRTUOUS** (not a vicious!) circle. Your pension fund owns the property and leases it back to your company – which pays rent to your pension fund – which gives you a ring-fenced asset for the future.

And all of this is achieved with the help of significant tax advantages.

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What are the **ADVANTAGES?**

- Any gain on the property value is free from capital gains tax
- The rental income paid to the pension fund grows free from income tax
- The rent that your company (as the tenant) pays is a business expense and reduces your corporation tax liability
- Pension contributions receive tax relief
- The property is outside your estate for inheritance tax purposes
- Your future retirement income could be funded from ongoing rent receipts

What **ELSE?**

- If you don't have enough in your pension fund, it's possible to borrow within certain limits
- If you already own a commercial property, you could sell it to your pension fund, releasing capital into the business to help with cash flow
- If the business fails, the property is protected from creditors

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What about **DISADVANTAGES?**

The main thing to remember is that this is a pension fund.

In order to get and keep HMRC approval (with all the fantastic tax breaks), you have to ensure that you follow certain rules and regulations.

This means keeping everything at arm's length and commercial. Sometimes that might seem like a pain, but it makes sense in the long run.

But remember that you can't take any cash or income out until you are aged 55 (increasing to 57 in 2028).

7 STEPS to get you started

1. Find a commercial property and check that it doesn't have any nasty hidden surprises, such as asbestos, boundary disputes, or contaminated land which will make it more difficult to buy in your pension fund.

2. Allow for the usual property purchase costs such as solicitor, surveyor, Stamp Duty Land Tax and VAT (if applicable).

3. Value your existing pension funds – check transfer values are the same as current values.

4. Consider how much cash you can add as a pension contribution – either from the company, or personally.

5. Find out if the company can afford to pay a commercial rent. Work on an estimated 10% of the property value as a ball park.

6. Add the total of point 3 (existing funds) and point 4 (cash contributions) together.

7. Is the total enough to purchase the property and pay the costs outright?

Whether the answer to point 7 is yes or no, now is a good time to find someone to help you set-up a pension scheme that can buy the property.

This takes time and there will be costs, which are in addition to the property purchase fees.

Is it **POSSIBLE?**

- TAX RELIEF ON CAPITAL PURCHASE
- TAX FREE GROWTH
- RENTAL GROWS TAX FREE
- TAX FREE LUMP SUM AT 55+
- OUTSIDE ESTATE FOR IHT
- RETIREMENT INCOME

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