Client Case Study:
Commercial Property in a SIPP

"I was referred to Niche by my accountant. My business had been doing well and we were looking to take on new staff. However, we needed bigger premises in order to do this. I was renting a small office unit but had looked around and found other locations that I felt may be suitable- with enough extra space for our planned expansion.

An acquaintance had also recently told me about how his pension was invested in a SIPP. I did some research and discovered that this kind of pension could be used to purchase commercial property, which I felt would be beneficial for my business."

Mr Nick Lewis, age 48

Our Solution

We helped Nick facilitate his business' expansion in the most tax efficient way possible. His existing pension had a value of £150,000- we transferred this into a new SIPP (Self Invested Personal Pension) for him. SIPPs are able to borrow up to 50% of their net asset value- effectively making Nick's into £225,000 with which to purchase a property.

Nick's chosen property was valued at £200,000. He used his SIPP to purchase these new premises, still having more than enough left in it to cover the additional costs of the purchase, such as Land Transaction Tax, solicitor and conveyor costs and borrowing fees.

Nick as an individual was able to rent the property back to his own business. The income from this was paid to his SIPP, rather than him personally. It is treated as a business expense- making it eligible for Corporation Tax relief. Nick also continued to make his regular monthly payments into his SIPP and is now able to manage his investments himself and take a more active role in his pension management.

By purchasing the property with his pension fund, Nick has avoided paying a lot of interest to a bank and has made his earnings more tax efficient. His business still pays the rent each month but now this is paid straight into his own pension, instead of lining the pockets of a landlord. In addition to this, if Nick decides to sell the property, its full value plus any increase due to rising property prices will be returned to his pension fund, exempt from any Capital Gains Tax.