

SSAS property purchase

Guidance notes for surveyors

You have been asked to undertake some work by the trustees of a Small Self-Administered Scheme (SSAS). We have prepared these guidance notes to assist you in carrying out your work whilst ensuring that your advice will enable us to meet the requirements of HM Revenue & Customs (HMRC).

For the purpose of these guidance notes, the term 'property' also includes land.

You should correspond directly with the member trustees of the SSAS, or their appointed agent, although copies of all relevant correspondence and reports should be sent to us.

1. Background

The SSAS is a small self-administered pension scheme registered by HMRC under Chapter 2 of Part 4 of the Finance Act 2004. The members of the scheme and AJ Bell Trustees Limited are the trustees of the scheme.

You will be advising the trustees of the SSAS and any advice should be addressed as such. You should be formally appointed in writing by the trustees before providing them with any professional advice. Your advice and reports may also be used by commercial lenders.

Any invoices in relation to work undertaken should be addressed to the member trustees of the SSAS.

You will be responsible for agreeing your fees with the trustees.

Guidance in relation to the work frequently carried out by surveyors is included below.

2. Prior to acquisition: a report and valuation

All acquisitions of freehold and leasehold interests in property should be preceded by a valuation undertaken by an independent valuer and prepared in accordance with the provisions of the Manual of Appraisal and Valuations (the Red Book) prepared by the RICS and ISVA.

The report and valuation must meet with all the requirements of the Red Book and be prepared by a suitably experienced qualified valuer. It must include, inter alia, the following:

- specification of the purpose of the valuation;
- a brief description of the property and location;
- a report on condition and advice on whether a further detailed structural survey is required;
- a report on tenure, title, restrictions, rent reviews and other matters affecting the property;
- information on town planning, highway and utility issues and the rateable value;
- commentary on any tenancies and tenants holding leases of accommodation; and
- the date of inspection.

Value issues addressed would include at the valuation date:

- the estimated rental values;
- the market value with vacant possession;
- the market value subject to existing tenancies;
- any alternative use value which might be relevant; and
- a valuation for insurance purposes.

3. Part IIA of the Environmental Protection Act 1990

Important issues arise as a result of Part IIA of the Environmental Protection Act 1990. Furthermore, these issues affect the member trustee(s) and AJ Bell Trustees Limited in different ways. As a professional adviser to the trustees, a condition of your appointment is that you represent and have a duty of care to all trustees. If you believe that a conflict of interest may result then please inform us immediately.

AJ Bell Trustees Limited and the member trustee(s) will be legal owner(s) of the property. The professional trustee will have no beneficial interest in the property.

Clearly any environmental issues will affect the trustees to the extent that:

- the value of the property is affected, this affecting the subsequent benefits available to beneficiaries of the pension fund; and
- any environmental liability exceeds the value of the pension fund.

You are required, unless all trustees agree to the contrary in writing, to consider whether contamination is an issue in relation to the proposed purchase of land and/or buildings by the pension fund.

If you identify any risks of contamination in your pre-contract enquiries, then please write to both AJ Bell and the member trustee(s) setting out your findings and advice as they relates to the relevant parties.

4. Rental values and valuations

If a property is leased to, or occupied by, a connected party, a suitably experienced valuer must assess the 'market rental value' in accordance with the terms of the proposed lease. Rent reviews should be effected on commercial terms and full value rentals assessed and charged from rent review dates under the lease. Rent levels which differ from full rental value may be challenged by HMRC.

5. Three-yearly revaluations

All property held by a SSAS should be formally independently revalued at least once every three years. The assumptions to be applied are defined in the Red Book and matters examined must include:

- the existing lease terms and rental income with potential and provable rent reviews;
- the assumption that tenants will remain in occupation until the end of their lease;
- the assumptions made in relation to full open market rental value will be that this will be achieved if market conditions permit; and
- that the property could be sold on the open market.

6. Further information

For further information, please contact:

AJ Bell Business Solutions Limited
4 Exchange Quay
Salford Quays
Manchester
M5 3EE

Telephone number: 0345 25 05 610