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Property Planning

1 message

gavin mccloskey <gavinm@retirement.capital> 3 August 2023 at 19:12
To: Andy Whitemore <Andy@avalon-guns.com>
Cc: Emily McAlister <emily@retirement.capital>

Subject: Transfer of Property to Your Pension Fund - Tax Efficient Options

Dear Andy,

Thank you for the valuation. Our previous conversation, held just over 2 weeks ago, touched upon finding the most tax efficient method to transfer the property to your pension fund. It is crucial to also consider the reduced capital gains allowances for the current year - https://www.gov.uk/capital-gains-tax/rates.

Our primary objective is to ensure that the property is owned by your pension fund, enabling you to enjoy rental and growth that is exempt from capital gains tax. Moreover, this arrangement would also keep the property outside of your estate for inheritance tax purposes. To facilitate this, there are tax efficient ways to structure the income from the property, allowing it to be paid to you.

One potential option worth considering is for the pension fund to purchase shares in the property directly from you. (Alternatively, if the property were to be placed on the balance sheet via the directors' loan account, the pension fund could acquire shares through the company). Generally, the proposed structure would involve the pension scheme and you entering into a declaration of trust, and a variation deed is signed each year based on the amount of property acquired. The pension scheme would purchase a percentage of the property on an annual basis until such time that the whole the property is owned by the scheme.

Considering that you are also the underlying beneficiary of the property, we can proceed swiftly with this. Importantly, there would be no stamp duty land tax payable on the transfer from you to the fund, as there would be no change in the underlying beneficiary. HMRC can of course change the rules on this at any time.

To formalise the transfer, we would need to update the Land Registry accordingly. Additionally, a variation to a lease agreement would need to be established, allowing the pension scheme to receive a proportionate share of the rental income from the tenant.

Another alternative worth exploring is for the pension scheme to acquire either the entire property or a greater share from you. In this scenario, the funds would be repaid to you over a predetermined number of years, as rental income is received. This would essentially function as a borrowing by the fund, providing you with a steady stream of income in the form of loan repayments.

A further point to add is that the fund can lend cash to your business at a commercial rate of interest at 6.25% towards the property of up to 50% (inclusive of interest) of the pension fund value.

We should also take guidance from your accountant who handles your tax affairs. Their expertise would be valuable in calculating the capital gains assessment on the property transfer to minimise the tax liability on the above scenarios.

Please let me know your thoughts on the above. I am in the Office all day tomorrow and will be free in the afternoon if you would like a phone call.

Kind regards

Gavin

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