

**MEDICAL  
& DENTAL**

Powered by  **Acumen**  
Financial Planning

# Unlocking Financial Success for Business Owners



## Unlocking Financial Success for Business Owners

Business ownership, particularly for professionals like Dentists, requires strategic financial planning to secure a stable future for the business and yourself. As a business owner, you will be working hard to make your practice or business a success. With life being this busy, it's easy for your finances to be put on the backburner and not being put to work for you, your business and future you! Dental professionals have unique financial needs and challenges that require specialised solutions.

One popular option is transferring commercial property into Self-Invested Personal Pensions (SIPPs) and Small Self-Administered Schemes (SSAS).

One of the primary draws for business owners is the potential for tax savings. When commercial property is held within a SIPP or SSAS, it can lead to tax-free rental income and capital growth. This tax efficiency can significantly boost a business's financial health and resilience. For businesses engaged in these connected transactions, selling a property to be held within a SIPP or SSAS can release funds from the SIPP or SSAS that can be reinvested into new projects.

Using your pension to purchase commercial property (including your own business premises) offers s benefits, such as tax efficiency to asset protection and enhanced flexibility for you and your business providing a powerful tool to ensure the financial well-being on a business and personal level.

## The Basics of SIPPs and SSAS

To grasp the potential of using personal pensions for investing in commercial property, it is essential to understand the two primary structures involved: SIPPs and SSAS.

### **1) Self-Invested Personal Pensions (SIPPs)**

SIPPs are personal pension plans that give individuals the freedom to manage their retirement funds by investing in a broader range of assets, including commercial property. Unlike traditional pension plans, SIPPs provide greater control and flexibility over investment decisions. Individuals can choose from a wide range of investment options, such as stocks, bonds, and commercial property.

### **2) Small Self-Administered Schemes (SSAS)**

SSAS is a type of occupational pension scheme that is set up and run by a limited company. While it is primarily designed for small businesses, it can be highly beneficial for business owners. A SSAS allows for more significant control over investments, including the acquisition of commercial property. Furthermore, a SSAS provides a loan back function, which can help with support the business' ongoing needs

## Tax Efficiency in Commercial Property Investment

### 1) Tax Savings

One of the most compelling reasons for business owners to consider using SIPPs or SSAS for commercial property investment is the significant tax savings that can be achieved, compared to the building being owned personally or through the company.

#### a) Rental income

Rental income from commercial property held within a SIPP or SSAS is subject to favourable tax treatment. This income is not subject to income tax. It is also an allowable expense for the business, meaning it is not subject to Corporation Tax. Furthermore, rental payments do not normally contribute to your Annual Allowance for pensions, meaning that the value of your pension can grow significantly.

#### b) Capital gains

Capital gains realised from the sale of commercial property within these pension structures can also be tax efficient. Typically, capital gains tax (CGT) can be a substantial expense, where the property is owned personally or through the business, but within a SIPP or SSAS, this tax is usually eliminated or significantly reduced.

#### c) Pension contributions

Additionally, the business can receive government tax relief on contributions made to their SIPPs, within HMRC limits, further enhancing tax efficiency. This is also an allowable business expense, potentially further reducing your corporation tax liability.

#### d) Inheritance tax

Pensions remain outside of your estate and are potentially inheritable by the next generation, subject to scheme rules.

### 2) Asset Protection

Commercial property investments are typically subject to Capital Gains Tax. However, when held within a pension wrapper like a SIPP or SSAS, this tax burden is effectively shielded. This means that the gains accrued from the property investment will be preserved within the pension fund, ensuring the long-term security of the investment.

V1 May 2024

Medical & Dental powered by Acumen Financial Planning is a trading style of Acumen Financial Planning authorised and regulated by the Financial Conduct Authority. FRN 218745.

## Flexibility in Property Investment

### 1) Borrowing

One aspect of using SIPPs or SSAS for commercial property investment is the ability to borrow up to 50% of the net value of the pension scheme. This means that business owners do not need to cover the complete cost of the property investment with their pension funds. Borrowing options can make property investments more accessible and flexible.

### 2) Syndicated Arrangements

SIPPs and SSAS also provide the flexibility to invest in commercial property through syndicated arrangements. For example, Dentists can collaborate with other Dentists (or investors), to collectively purchase a property within their pension scheme.

### 3) Partial Property Ownership

Another notable advantage is that SIPPs and SSAS do not always require the entire building to be purchased. Business owners can invest in part of a property, aligning the investment with the value of their current pension scheme. This allows for gradual and diversified property investments.

### 4) Versatility in Property Types

SIPPs and SSAS offer considerable flexibility in terms of the types of commercial properties that can be held or transferred into these pension structures. This includes a wide range of property types, such as retail buildings, offices, industrial spaces, hotels, and leisure facilities. Such diversity allows businesses to strategically expand their investment portfolio.

### 5) Enhanced Control and Decision-Making

Using SIPPs or SSAS for commercial property investment can provide business owners with greater control over their investments and help make informed decisions that align with their financial goals. This control extends to choosing the specific properties, managing rental agreements, and deciding when to buy or sell.

## **Securing a more robust retirement**

Commercial property investments through SIPPs or SSAS, can provide a source of income through rental yields and potential capital appreciation. In addition to serving as a business asset, a property held within a SIPP can also form part of a retirement savings strategy, ensuring financial security for later years. Pension contributions can also be a valuable business expense to help build your wealth.

Christopher Hewson is a Chartered Financial Planner at Medical & Dental, part of Acumen Financial Planning.

## **Compliance notes**

The information in this text is correct at the time of publishing and should not be regarded as advice. The value of your investment can fall as well as rise. This article is based on our understanding of the legislation applicable at the time of writing.

Featured in The Press and Journal on Friday 26<sup>th</sup> April 2024.