



Creative property purchases bring tax relief

There are currently some fantastic commercial deals to be had and many of my entrepreneurial clients are taking advantage of the buy now buy low philosophy.

If you run your own business and you're looking to invest in a building, it may be worth looking at the advantages of buying the property through your SIPP (Self Invested Personal Pension).

There are real financial benefits in using a SIPP to buy a commercial property as you will receive tax relief on any personal contributions you make to buy the building. Any contributions made by the company can be passed off as a business expense and used to reduce the potential corporation tax payable by the company.

As the property sits within the pension wrapper you will not have to pay capital gains tax at the time you sell.

Another advantage is that any rental income paid into the SIPP from the tenant is not subject to tax as the pension fund is tax free. There is also the reassurance that in the worst case scenario, should the business go bankrupt, the building would remain safe within the SIPP and beyond the reach of creditors.

These are case study figures and illustrate the point well:

Purchase price	£350,000.00
VAT @ 15%	£52,500.00
Stamp duty land tax @ 3%	£12,075.00
Legal / surveyor/ miscellaneous costs	£5,000.00
Total cost	£419,575.00
Existing pension provision	£319,575.00
Shortfall	£100,000.00
Pension contribution gross	£100,000.00
Pension contribution net	£80,000.00
Basic rate tax relief granted at source	£20,000.00
Higher rate tax relief claimed through tax return	£20,000.00
Total tax relief	£40,000.00
Effective cost of contribution	£60,000.00
VAT reclaimed by SIPP	£52,500.00

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