

## For Financial Advisers Only

# COVID-19 Rent & Loans



As a result of the COVID-19 crisis, we've had a number of clients requesting that rent payments for property held in their SIPP/SSAS be reduced or deferred. The following sets out our understanding of the current position and our approach to applying HMRC's guidance.

## Rental payments

### General guidance for all tenants – rental payments/arrears

Financial Advisers and clients can read our general guidance on rent arrears and what actions can be taken in [this document](#).

While implementing these actions may become increasingly difficult for some during the current situation, this remains important context.

### Connected Party Tenants

The legislation imposes strict rules on connected party transactions, ensuring all are carried out at arm's length to avoid significant tax charges.

It requires connected tenants to pay rent on commercial terms. Any negotiation of these terms such as rent free periods, rental holiday, rent reductions etc. must be conducted on a commercial basis and supported by comments from a RICS registered valuer.

HMRC have confirmed that during the COVID-19 crisis the rules around obtaining commercial evidence to support rental holidays can be relaxed.

This means for those companies that are experiencing financial hardship due to COVID-19 are *not required* to provide accountant statements or surveyors opinion to show the commerciality of the payment break.

While this swift HMRC action is welcomed, it is unclear what, if any, retrospective validation they may apply in the future. This rule relaxation should be viewed as a temporary measure only. Once this period of uncertainty is over if deferred payments cannot be made up, we may be required to retrospectively document the financial hardship, usually in the form of an accountants statement. Additionally we may also need a surveyors comment on any renegotiation of the rental amount or to support longer repayment terms of any missed payments to ensure tax charges are not applied to any missed payments.

## Unconnected Tenants

Where tenants are not connected parties they are free to negotiate commercial terms for rental holidays or reduced rents freely. We would usually require this be set out in a formal amendment to the lease. During the current situation, we will not insist on a formal amendment to the lease but we will still require any change set out in writing and signed, at least electronically, by all parties.

We understand this is a very difficult time for businesses and we are eager to assist where we can do so. Please drop us an email or call your usual contact if you have any questions.

## SSAS Loans

Many SSAS employers may also be struggling to continue to make their SSAS loan repayments. Although security can be called in to protect the pension funds this will, for most employers, be a last resort.

It is our understanding that the relaxation noted above can also be applied to SSAS loans where the sponsoring employer is in genuine financial difficulty during the COVID-19 crisis. Given the urgency of such a decision, an accountants statement documenting the financial difficulty will not be a requirement at this time. But please note it is probable it will be needed at a future date.

We will continue to monitor developments and keep you updated on any changes.

### ***Please talk to us before taking action***

If the above impacts any of your clients please get in touch with us immediately prior to taking action. Your [dedicated SSAS or SIPP consultant](#) will be available by email or phone.