



Purchasing your Commercial Premises via your SMSF

To rent or buy is one of the most important decisions a business owner will make.

For healthcare professionals, this choice does not occur all that often. This is due to a shortage of landlords willing to sell the commercial property (you make them too much money so why would they sell).

Even more so, because the goodwill of your business maybe linked to the location of the business making it difficult to move.

However, in the event that an opportunity presents itself where you as the business owner can purchase the commercial property, there is one more option to consider: do I purchase the property in my SMSF?

Figuring out whether buying your commercial premises through your self-managed super fund (SMSF) is an option that's suitable for you is imperative to the success of your investment.

There can be many gains through purchasing commercial property through your SMSF, including freeing up capital for the business by using SMSF funds to purchase the property.

Another gain is that the property is protected against insolvency. Depending on the type of business, this can be particularly appealing.

There's a tremendous level of protection of assets within super, so it ticks the asset protection box for a lot of SMEs that may be subject to litigation due to the nature of what they do.

Then there are the tax benefits.

While it is in accumulation phase, income tax is lower as compared to outside super. In retirement, as the law stands, its zero. This means that the money accumulated in an SMSF (recent changes proposed in the budget have not been taken into account as they have not been legislated) through the investment does not get taxed.

There are, of course, some downsides to purchasing in super. One is that generally, the SMSF requires a large amount of cash within the SMSF to accompany a bank loan. This is because banks generally lend up to 70% of the purchase price to SMSF.

Another downside is the level of compliance that a SMSF incurs. Your accountant, solicitor and mortgage broker will assist in mitigate the compliance of a SMSF. However, as the trustee of an SMSF, you are ultimately responsible and need to understand the compliance involved to avoid nasty tax breaches in future. (Noting that if you already have an established SMSF, this downside has already been dealt with)

Note a downside, but a point to consider is that you must pay commercial rates for rent through a prearranged lease agreement. This means that if your business is currently paying rent of \$60,000 for an 80 square meter site, you cannot increase the rent to \$200,000 when your SMSF purchases the property. The lease must be commercial.

If you have answered 'yes' to purchasing the commercial property in your SMSF, you'll need to prepare yourself first before you exchange contracts. Speaking with your financial team first - accountant, financial planner, solicitor and mortgage broker – will prepare you correctly. They should be familiar with the process and will explain all the benefits and pitfalls to ensure that you gain the most from the choice.

This article should be seen as a guide to assist you with more information on the SMSF. The article is general in nature and it does not constitute advice in any way.

About the Author

Manoj Miranda has worked in the healthcare banking industry for over 9 years. He has held senior management roles at National Australia Bank and Westpac and helped start up their banking proposition to the industry. Manoj has leading industry presence in the NSW healthcare banking industry market.

Prior to this Manoj worked for GE Commercial and Macquarie Bank in various Credit roles. Given the 20 years' experience in the finance sector in both Sales and Credit roles, asset finance, commercial and residential lending Manoj brings a wealth of experience to the healthcare market.

Credentials include a Master of Business (Finance) and MBA (Professional Accounting). He has also completed an Advance Diploma in Financial Planning.