



Healthcare Update

Winter 2009

Entrepreneurs' relief – does your property and goodwill value qualify?

In the Finance Act 2008, the Chancellor removed taper relief from capital gains on business assets. This relief often resulted in the equivalent of a 10% rate of tax on certain gains. Despite the Chancellor reducing the top rate of capital gains tax from 40% to 18%, there was an outcry that most business asset gains would rise from 10% to 18%. As a result of lobbying by many organisations, entrepreneurs' relief was introduced.

This relief means that qualifying gains are taxed at the equivalent of only 10%, subject to a £1 million lifetime limit.

For care homes the most likely assets to attract capital gains tax on a sale are the properties from which you operate and any separate goodwill, and so the question arises – will this qualify for entrepreneurs' relief?

To qualify for relief there must be a disposal of the whole or part of the trading business, the sale of a property in isolation will not qualify.

Thus an individual who owns the property outside of the business will only qualify for the relief if it is sold at the same time as he retires (or withdraws from participation in) the business.

However, a potential trap is that if full market rent has been paid by the business to the property owner after 5th April 2008, there will be restricted relief.

Disposal of goodwill will, in most instances, be eligible for entrepreneurs' relief, as this is treated as a disposal of part of the business.

If the business, including the property, is incorporated then there are more detailed requirements to qualify for the relief concerning ownership of at least 5% of the share capital and voting power, and the need to be an officer or employee.

Being aware of these requirements and complications, before any disposals, may enable you to plan to avoid them.

The legislation is complex, so please contact us if you need help.

Graham Seddon
gseddon@menzies.co.uk



Our Healthcare team

The Menzies Healthcare team is dedicated to advising the healthcare sector, with a particular focus on care homes.

Healthcare specialists can be found in each of our offices across Surrey and Hampshire. As well as our healthcare services, we also have experts in tax, corporate finance, financial services and strategy, all of whom are able to answer any relevant questions you may have.

Our team of specialists is available to work with you to assist your business and help achieve its objectives in the best possible way. If you would like to discuss any of the topics, or indeed any other issue of concern, we would welcome the opportunity to help.

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Victoria House
50-58 Victoria Road
Farnborough
Hampshire GU14 7PG

Tel: +44 (0)1252 541244
Fax: +44 (0)1252 524000

blackwater@menzies.co.uk

Heathrow Business Centre
65 High Street
Egham
Surrey TW20 9EY

Tel: +44 (0)1784 497100
Fax: +44 (0)1784 497101

heathrow@menzies.co.uk

3rd Floor
Kings House
12-42 Wood Street
Kingston upon Thames
Surrey KT1 1TG

Tel: +44 (0)20 8974 7500
Fax: +44 (0)20 8541 5820

kingston@menzies.co.uk

Ashcombe House
5 The Crescent
Leatherhead
Surrey KT22 8DY

Tel: +44 (0)1372 360130/226300
Fax: +44 (0)1372 360053

leatherhead@menzies.co.uk

Fairfield House
Kingston Crescent
Portsmouth
Hampshire PO2 8AA

Tel: +44 (0)23 9244 8400
Fax: +44 (0)23 9244 8449

solent@menzies.co.uk

1st Floor
Midas House
62 Goldsworth Road
Woking
Surrey GU21 6LQ

Tel: +44 (0)1483 755000
Fax: +44 (0)1483 599238

woking@menzies.co.uk