



## Healthcare Update

Winter 2009

### **Entrepreneurs' relief – does your practice 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 GPs, the most likely asset to attract capital gains tax on a sale is the surgery and so the question arises – will that qualify for entrepreneurs' relief?

The legislation states that relief can only be considered if the property is sold at the same time as the partner retires from the practice. If partners choose to retain the property after retirement in order to continue receiving rent, any possibility of relief is lost as the surgery becomes a non-business investment for the retirees. Accordingly, on disposal, the rate of tax will be 18% rather than 10%.

Whether the relief will be available for practices at all is unclear from the legislation. One condition for relief qualification is that you do not receive rent for the property. The definition of rent however is widely drawn. As your profit share will include either cost or notional rent, HMRC could use the definition to restrict or deny you the relief, although it is too early to know whether they will try to argue this point.

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.

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## Benchmarking

We act for a substantial number of practices and associates and through our membership of the Association of Independent Specialist Medical Accountants (AISMA), we have access to a reliable database of practice results. If you would like us to benchmark your practice's financial performance against results of similar practices we would be happy to do so. Just email [spritchard@menzies.co.uk](mailto:spritchard@menzies.co.uk) for further details on this powerful development tool.

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## Our Healthcare team

The Menzies Healthcare team is dedicated to advising the healthcare sector, with a particular focus on GPs. As members of AISMA, Menzies is kept up-to-date with the latest issues and concerns which affect GPs.

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 practice and help achieve its objectives. If you would like to discuss any of the issues raised above, or indeed any other issue of concern, we would welcome the opportunity to help.



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