



Healthcare Update

Winter 2008/09

Entrepreneurs' relief - does your practice goodwill or surgery 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 gains on business assets 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 dentists the most likely assets to attract capital gains tax on a sale are the surgery and any practice 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 a partner who owns the surgery property outside of the practice will only qualify for the relief if it is sold at the same time as he retires (or withdraws from participation in) the practice.

However, a potential trap is that if full market rent has been paid by the practice to the partner after 5 April 2008, there will be restricted relief. This may include profit sharing arrangements where only the property owning partners get an initial fixed profit share.

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

If the practice 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.

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Benchmarking

We act for a substantial number of dental practices and through our membership of NASDA, 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 jflewitt@menzies.co.uk for further details on this powerful development tool.

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Our Healthcare team

As founder members of the National Association of Specialist Dental Accountants (NASDA), Menzies is kept up-to-date with the latest issues and concerns which affect dentists. The Menzies Healthcare team is dedicated to advising the healthcare sector, with a particular focus on dentists.

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 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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