'We wuz robbed'

Legislative changes in 2014 potentially robbed healthcare businesses and practices of substantial tax relief. However, you still have a sporting chance to claim – if you box clever, says Andrew Stanley

In April 2014, legislative changes kicked in that potentially rob healthcare businesses and practices of substantial tax relief known as capital allowances, perhaps worth hundreds of thousands of pounds. Capital allowances allow many healthcare businesses and practices, providing they own or in some cases lease their premises, to write off over time the cost of items (or assets) bought for use within a business against taxable profit. With all the new fixtures legislation from the Finance Act 2012 now in effect, if healthcare businesses and practices are not assessed and capital allowances pooled, recorded and transferred to the new owner when a premises is bought or sold, then the opportunity to claim is lost forever. It is estimated that property owners have already missed out on many millions of pounds of available tax relief.

Case study

An investor buys a block of flats. The vendor confirms they have claimed substantial amounts of allowances in the past but neglects to fix a transfer value or include any capital allowance related terms in the purchase agreement.

Fortunately, the investor is well advised and with the aid of a tax specialist, post completion makes a representation to a tax tribunal to fix a transfer value. A transfer value is fixed that puts the investor in a very strong position and triggers a substantial and unexpected (and certainly unwelcome) tax charge on the vendor. So if you are buying, selling or simply holding on to a healthcare businesses or practice, a review by a capital allowances tax specialist in this field could save you tens, perhaps hundreds of thousands, of pounds.

Erase

Of course, some saw these changes as a move by the government to erase part of the latent multibillion pound call on unused tax relief and felt the treasury was working on a "they won't miss what they never knew they had" basis. Because of their technical nature, these changes have had little coverage even though they affect thousands of transactions every year. However, a year later, if healthcare businesses and practices are advised correctly by a tax specialist they can still claim capital allowances in many instances, even when the vendor has made no previous claims or doesn't know what capital allowances are. But to walk this road alone, unaware of the pitfalls, could mean the loss of all entitlement to allowances, potentially devaluing a property or leading to a surprise tax charge.

Property sellers especially need to be advised correctly to protect themselves from the double risks they now face at the hands of a potentially tax savvy purchaser or even a claw back from HMRC.

What can be claimed under capital allowances?

Capital allowances relate to plant and machinery. The more obvious items that qualify include computers, factory equipment, vehicles and office or kitchen equipment. However, certain fixtures and integral building features may also qualify. This can include heating, air conditioning and cold water systems, lifts and even electrical wiring. Claiming on these is highly technical and outside the breadth of expertise of many accountants. This means property owners lose money because they pay more tax than they need to. Property owners need to consult a tax specialist to get the most value from capital allowances.

For chargeable periods that relate to corporation tax and begin on or after 1 January

Andrew Stanley is founder of STax, a firm of tax advisers specialising in capital allowances. For further information visit **http://www.staxuk.com/**

2014, or that relate to income tax and begin on or after 1 January 2014, HMRC allows a 100% 'annual investment allowance' (AIA) on the first £500,000. This can allow taxpayers to deduct up to £500,000 from their taxable profit.

Previously set at £250,000, the AIA was doubled last year to stimulate business investment in the economy by providing an increased time-limited incentive for businesses to invest in plant or machinery. From 1st January 2016 it is set to drop all the way back to £25,000, so there has never been a better time to claim for capital allowances.

What are the benefits?

Accurately assessing qualifying items and processing an effective claim will in many cases form the basis of a substantial write off against the profits of healthcare businesses and practices, resulting in a lower tax charge or, in some cases, a cash rebate for previous years. Individual claims can sometimes amount to as much as 35% of the value of a freehold i.e. £350k of tax relief for a building bought for £1 million. Capital allowances can also add to the monetary value of a commercial property. This is great news for sellers in what is still a slow market for commercial freeholds.