



# Bricks and mortar

Most medical practitioners have, or aspire to have, their own premises. Depending on the location and size, the costs can seem prohibitive. However, many may not realise the tax benefits of property ownership, which can greatly influence the decision of whether to rent or buy, writes **Martin Murray**

**U**nless you are fabulously wealthy, most of you will have to resort to borrowing to secure the financing to buy your own premises. The interest that is paid on the loan is tax deductible. This is good news, as it reduces in real terms the cost of financing the property acquisition.

Most banks in respect of new premises and for certain individuals will offer interest-only loans for, say, three to five years. The capital repayments can commence thereafter. Again, this is good as it can work out that the cost of borrowing for those first few crucial years is less than would have been the case if the property were rented.

It sometimes pays dividends to have a premier bank account, because the manager responsible for your affairs will have more intimate knowledge of you and, therefore, support your business case to his or her other colleagues that may deal with your application. More lenders are moving into the cosmetic field. Even so, the more established banks such as Barclays and Royal Bank of Scotland are familiar with doctors' affairs and are competitive.

In my own firm, when a new consultant or doctor is looking at acquiring a premises—which may include his or her new home—they may be just starting their private practice and, as such, have little by way of self-employed earnings. This does not exclude them from being eligible for loans, as my partners and I will have knowledge of their anticipated earnings and this will be relayed to their bank manager.

## Tax benefits

Apart from tax relief on interest payments, other tax breaks are available in the form of capital allowances. In respect of fixtures and fittings, these take the form of a tax break that can sometimes be within the

fabric of the building to be bought and should be identified before purchase. Or if these are part of a new build they will need to be discussed with the architect before building commences. These assets can represent anything from, say, 10%–25% of the value of the building and for which tax relief can be claimed either immediately or over a short period.

The identification of such assets can assist greatly in the cashflow of the new medical aesthetics business.

Many doctors over the past few years have considered putting their properties into a pension scheme. These schemes are generally called self-invested personal pensions (SIPPs). Tax relief at the highest rate of 40% is possible on the transfer of the property into a SIPP. Specialist advice is needed before this is done, as other factors should be taken into account—no least that the property ownership now becomes that of the pension scheme. This may be an issue when the ownership of the property is shared between two or more doctors.

If the premises are put into a SIPP, rent can be paid into the pension scheme and the property and rental receipts effectively grow in a tax-free environment. There are restrictions relating to borrowings associated with the premises. Care needs to be taken to ensure you are fully aware of the scheme's ongoing running costs.

Some individuals are keen to buy premises through a limited company. This requires careful planning, as there are certain issues to address. In many cases, in the long term it does not provide the tax savings that were anticipated.

Issues relating to premises acquisitions need to be discussed with your accountant and solicitor.

## Disposals

Much has been written recently of changes to the capital gains tax treatment

of properties. The chancellor, Alistair Darling, in his pre-Budget report, announced radical changes to simplify the tax treatment of the disposal of certain assets including buildings and, at the same time, the tax that was to be paid increased. Thankfully, some of the relief that had existed in the past is to be reinstated.

Before disposing of any premises, it is essential that you discuss matters with your accountant.

## Renting

It is all well and good dealing with property ownership, but for many medical aesthetic practitioners, renting for the first few years is the only option. Tax benefits are still available in respect of some improvements to the premises, and these should be discussed with the builder and accountant to ensure that those eligible for tax relief are identified.

The big issue in respect of renting is the period of the lease and what may arise should you need to terminate early. There may be penalties. Also, who is responsible for repairs and the nature of those repairs? These can be the tenant's or the landlord's responsibility, or they can be shared.

Accountants and solicitors often are not too mindful of stamp duty payments and lease premiums. It is often forgotten that stamp duty is payable on some leases—not just on buying a property. In addition, a lease premium—which is an upfront payment to the landlord—may not be eligible for immediate tax relief.

In the next issue of *Body Language*, I will look at equipment, the methods of financing and the associated tax relief.

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