

Capital Allowances for Surgeries

The construction or refurbishment of GP partnership premises gives rise to the opportunity to claim valuable tax relief in the form of Capital Allowances. Dental surgeries similarly benefit from extensive savings.

Allowances will be available for all of the cost (except external works) - works on the structure will qualify for the Structures & Buildings Allowance. Internally the building systems and fit-out - known as Fixed Plant & Machinery offer the most valuable relief and there are two categories:-

Integral Features - the heating & cooling, hot & cold water, electrical systems and lifts.

Main Pool - all of the fit-out put into the premises for the purposes of operating the business - which has an extensive range of items; including fitted furniture, consulting room fittings, voice & data systems, toilets and staff facilities, fire and security systems.

Standards of fit-out have steadily increased over time and can form a significant proportion of the budget. In a new-build surgery, typically a third or more of the build cost will qualify as plant & machinery - but in a refurbishment this might rise to 75%.

Capital Allowances are best considered at the planning stage so that their value can be factored in to financial projections. Banks see these tax savings as enhanced diligence and as a financial safety-net to support a lending proposal.

A forward view of the Capital Allowances savings can relieve pressure on the budget ceiling and provide the scope for enhancements to the specification to optimise the project without the need for undesirable penny-pinching

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An indicative view and guidance on a proposed scheme is provided at no cost, and where appointed our fees are usually performance-based.

David Rees has been responsible for claims for allowances on over 100 surgery projects totalling nearly £120,000,000 in value, and resulting in claims for Capital Allowances of over £35,000,000.

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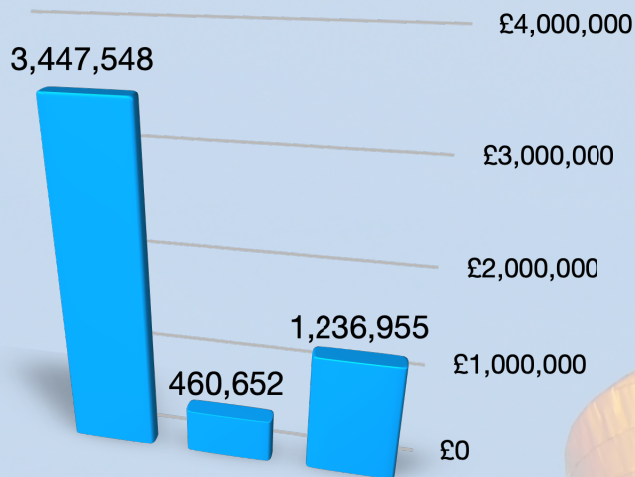
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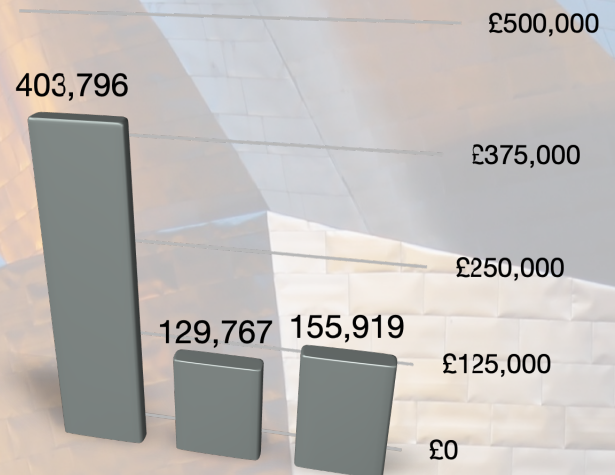
New surgery build project

Construction cost - £3,447,548
Plant & Machinery Allowances - £1,592,388
Structures & Buildings Allowance - £1,500,000
First year tax savings - £460,652 (13% budget saving)
Total tax savings - £1,236,955 (36% budget saving)
Allowances claimed at 40% tax rate



Surgery extension & refurbishment

Total cost - £1,122,796 (incl. ETTF grant £719,000)
Basis of claim is the GP's contribution £403,796
P&M Allowances available to GPs - £322,396
Structures & Buildings Allowance - £67,402
First year tax savings - £129,767 (32% budget saving)
Total tax savings - £155,919
Allowances claimed at 40% tax rate



Annual Investment Allowance

This first year tax break means up to £1,000,000 of a claim for allowances will come into the first year's tax computations providing a saving of up to £400,000 to a partnership. Excess allowances will roll forward in accounts until used up.

ETTF Funding

Where a project receives grant funding from the NHS or other body, then tax relief will not be available against this portion of the project cost. GPs will be able to claim Capital Allowances on their own financial contribution - but please note that the ETTF team can impose a restriction to restrict claims. This should be carefully checked when the grant is awarded.

Pre-planning tax reliefs

Having an early review of potential tax savings can greatly help in determining the project specification and may well enable a higher standard of finishes within the existing budget. Having forward knowledge of the tax savings to come can help reduce the pressures of an unexpected cost over-run.

Minimum Energy Efficiency Standards

Proposed legislation is intended to raise minimum Energy Performance Certificate levels to 'C' by 2027 and 'B' by 2030. Many surgeries with tenants such as pharmacies will be affected. Capital Allowances will provide valuable savings on required improvements to achieve compliance.

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