



Fixtures & fittings

Cliff Fleming and **Scott Hallesy** offer some essential tips on maximising tax relief

An article about a new regime for tax allowances on fixture purchases may not sound compelling but bear with us: if you are selling or buying a dental practice in the future, this information could be of financial benefit.

After a consultation period ending in early 2012, the Finance Act 2012 introduced new legislation relating to claims for capital allowances on fixtures. As a result of this, you will need to be more proactive to protect your interests when buying or selling a practice in future. For instance, if you, as a seller, have not claimed capital allowances on

the fixtures in your property, the effect of the new legislation can be to bar capital allowance claims for all future buyers. As you can imagine, this will affect the value of your dental practice by enabling the buyer to negotiate the price downwards.

The legislation in question is in sections 187A&B of the Capital Allowances Act 2001 and applies to all fixtures included in practice property sales after March 2012. The aim of the legislation is to stop retrospective capital allowances claims on fixtures that HMRC say were resulting in inflated claims with a consequent loss in tax revenue.

Establish the value

Under the new regime, the value of fixtures must be established within two years of the sale, otherwise capital allowances will not be available to

Key points

- The legislation on capital allowances has been amended
- This change affects how you claim tax relief on fixtures in the dental practice
- It is vital that a full history of fixtures, against which allowances have been claimed, is sought at pre-contract stage
- Each fixture must be separately identified with a value apportioned to it
- The onus is on the buyer to protect their future allowances.

the current, and all future, buyers. This value is to be established either by both parties agreeing the position by making an election under section 198 Capital Allowances Act 2001 or by either party asking the Tax Tribunal to make a

purposes – typically estimated to be in the region of 25% of the bricks and mortar value – thereby removing the need for an agreement of values with the seller. Section 198 elections have also been unpopular because they require

“Under the new regime, the value of fixtures must be established within two years of the sale, otherwise capital allowances will not be available to the current, and all future, buyers”

direction as to their value. Sellers should note that their duty to bring a disposal value into their ‘pool’ of expenditure for capital allowance purposes is not affected by this process.

Historically, section 198 elections have been underused because it has been usual for the buyer to call in a surveyor or a capital allowances specialist post purchase to value the fixtures in the property for capital allowances

identification and valuation of each individual fixture to be valid, and once agreed cannot be altered.

For the future...

For tax accounting periods ending after March 2014 there is also a requirement for the seller to have ‘pooled’ all of the available expenditure for capital allowance purposes in addition to the valuation process described above.

In order to avoid the costs of appearing before the Tax Tribunal, it is likely in future that most practice buyers will ask for the sale documents to oblige the reasonable cooperation of the seller so that section 198 elections can be completed.

For those reasons, we recommend that all practice owners – if they have not already done so – should undertake a review of fixtures, to benefit from a tax refund now as well as laying important groundwork in advance of selling their practice.



Cliff Fleming

Cliff Fleming is a chartered accountant, a partner in Condie and Co and a member of NASDAL. His colleague **Scott Hallesy** is the firm’s tax strategist. To speak to Cliff, call 01383 721421 or email cliff.fleming@condie.co.uk.



Knox Coaching’s blend of helping practices develop knowledge, skills and attitude simultaneously is at the core of our approach to helping ordinary performance become extraordinary performance. Challenging in its approach, Knox Coaching’s tailored programmes flex to the needs of the individual.

- Productivity Improvements
- Increased Patient loyalty
- Increased case acceptance
- Improved finances
- Staff recruitment and training
- Business plans
- Cash flow forecasts



Simon Knox

Tel 07860 476358
simon@knoxcoaching.co.uk

Business Improvement and Profitability Coaching • 2D, South Victoria Dock Road • DUNDEE, DD1 3BQ