

Healthcare Matters

For Private Hospitals

Capital allowances for private hospitals

Claiming Capital Allowances and related tax reliefs for private hospitals and other businesses within the Healthcare Sector can generate substantial tax savings. All too often however these allowances are missed or under-valued, resulting in the loss of valuable reliefs.

The Annual Investment Allowance (AIA) in part replaced the previous First Year Allowances regime. An AIA can be claimed each year on up to £100,000 of business expenditure on 'plant and machinery' and 'integral features', accelerating the tax relief available compared to conventional Capital Allowances. In the March 2010 Budget, it was announced that the AIA will be reduced to £25,000 for expenditure incurred from April 2012 onwards.

Plant and machinery includes fixtures and fittings such as sanitary appliances and fittings, some electrical installations, alarm systems, boilers, domestic fitted baths and taps, mirrors, towel rails, soap fittings, shower heads, fitted kitchen units and sinks, automatic and disabled public conveniences, information boards and many other types of assets. Items which do not qualify include light fittings, fixed floor coverings and most expenditure on structural items such as windows, doors and walls.



A 10% writing-down allowance is available on business expenditure relating to integral features. The expenditure is allocated to a 10% 'special rate' pool, unless written off under the AIA. From April 2012, this rate reduces to 8%. Broadly speaking, integral features are electrical systems (including lighting systems), cold water systems, space or water heating systems, powered systems of ventilation, air cooling or air purification (including floors or ceilings comprised in such systems), lifts, escalators and moving walkways, and external solar shading. Some integral features would not have qualified as plant before the new rules were introduced, e.g. external solar shading, cold water systems and parts of electrical systems like general power and lighting.

Where a private hospital is insulated against heat loss, the costs incurred when carrying out the insulation can enter a pool for Capital Allowance purposes and will attract a 10% writing down allowance on a reducing balance basis. Prior to the beginning of April 2008, only expenditure incurred on industrial buildings qualified. It is important to note that roof lining, double glazing, draught exclusion and cavity wall filling are all considered to be methods of thermal insulation. Again from 2012, this rate reduces to 8%.

Clearly, the Capital Allowances legislation is complicated and requires careful interpretation. Nevertheless, it pays for private hospitals to obtain professional advice in order to maximise the reliefs available and minimise their tax bills.

Other news

Healthcare Funding – Private hospitals

In the current financial climate, it is important to ensure your banking facilities are competitive and provide flexibility for your business.

Recognising the importance of providing flexibility by tailoring products, many of the major banks have recruited teams of specialist managers to unsettle existing complacent banking relationships. Additionally, off the High Street, there are niche lenders specialising in the healthcare sector, ensuring virtually all valid borrowing needs can once more be accommodated.

To find out more about possible funding options, contact Nicola Hinkley on 020 8605 1213 or email nhinkley@kingstonsmith.co.uk

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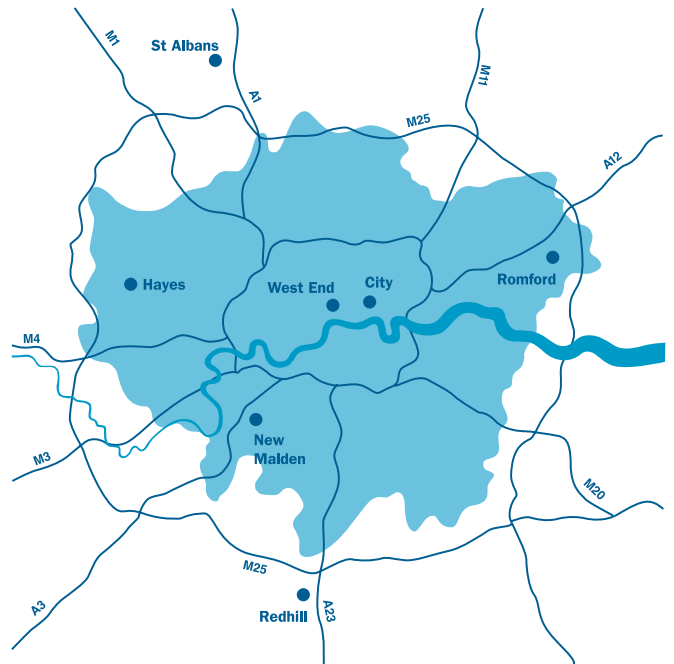
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