

Summer/Autumn 2008

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# Healthcare Matters

## Capital Allowances – The new era

Paul Samrah  
Kingston Smith LLP

**A business can claim tax allowances, called Capital Allowances (CAs) on certain purchases. This means that you can deduct a proportion of these costs from your taxable profits and reduce your tax bill. Amongst the raft of changes introduced by Alistair Darling in recent Budget announcements, perhaps the ones that have not received lots of publicity are those relating to CAs.**

**The main changes are:**

- The phasing out of Industrial Building Allowances and Agricultural Building Allowances by April 2011;
- Reduction in the rate of Writing Down Allowances (WDAs) for general plant from 25% to 20% from April 2008;
- Increase in WDAs for long life assets from 6% to 10% from April 2008;
- Reduction in WDAs for plant or machinery that is classified as 'integral features' from 25% to 10% for expenditure incurred from April 2008. Some items have become eligible that were not previously.

The short list of assets in this category includes electrical systems, cold water systems, certain water heating systems, lifts, escalators and external solar shading. It is worth noting that a 10% WDA means that an integral feature will have a tax life of say 35 years or more, when clearly the asset is unlikely to have such a long life in practice.

- The introduction of an annual Investment Allowance of 100% for the first £50,000 of expenditure on most plant and machinery (excluding cars) from April 2008;
- No general First Year Allowance for small or medium sized businesses from April 2008;
- The list of items qualifying for Enhanced Capital Allowances (at 100%) has been extended.

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## In the recent Budget announcements, the changes that received the least publicity were those relating to Capital Allowances

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These new additions include: waste water recovery and re-use systems, compressed air master and flow controllers, heat pump dehumidifiers and white LED lighting! Further details can be found on [www.eca.gov.uk](http://www.eca.gov.uk)

Remember that cars with CO2 emissions of 120 g/km or less qualify for 100% CAs. However from 6 April 2009, the exhaust emissions threshold reduces to 110 g/km. For details of cars and their CO2 emissions, go to [www.vcacrufueldata.org.uk](http://www.vcacrufueldata.org.uk)

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# Healthcare Mortgage Finance

Beverley Ham, Blacktower Financial Advisers Ltd

**Mortgage lenders have, for many years, recognised that healthcare professionals carry a lower risk than the average borrower because of their relatively high and secure incomes.**

Mortgage schemes have been established, targeting professionals for both residential and commercial property finance, offering a number of benefits over and above what other, non-professional borrowers could expect to receive.

Whilst banks and other mortgage lenders are being more selective following the 'Credit Crunch', schemes for the Professional in Practice are still available at up to 95% loan to value for residential property and incredibly up to 100% on commercial property, subject to certain criteria being met.

Some residential lenders will often pay for, or discount, many of the associated costs for arranging finance, including valuation and product fees and higher lending charges.

Based on a typical mortgage of £250,000, at 95% loan to value, this can result in a saving of up to £5,000.

Higher earning professionals are in a good position to take maximum advantage of certain types of residential mortgage products which are designed to accommodate them at every stage of their professional lives, including those only recently qualified, or on short term contracts.

A professional 'offset' residential mortgage is one offering features such as no early repayment charges and no penalties for overpayments. The offset facility is of particular benefit to higher rate taxpayers with cash savings because it can reduce substantially the interest payable on their mortgage, potentially shortening their mortgage term, whilst also reducing their tax liability.

For commercial property, lenders remain happy to 'tailor' a facility to fit around your individual needs. Whilst financial underwriting is more onerous at present, and somewhat forensic, bespoke flexibility can be negotiated when talking to the specialist lending teams that still exist in a number of banks.

Although valuations are generally holding firm, if lenders are being asked to lend at such high loan to values, understandably they need to be comfortable that the required debt is manageable and thus the underlying asset is effectively their secondary form of security.

The key with any lending requirement in today's market is to be prepared for a rigorous round of questions. If embarking on a new venture where additional commercial finance is required, make sure that you have a robust business plan prepared!

Kingston Smith LLP, through our highly regarded property finance team at Blacktower Financial Advisers Limited, is very well positioned to assist healthcare professionals with all areas of mortgage advice.

Your home may be repossessed if you do not keep up repayments on your mortgage.

Blacktower Financial Advisers are fee based advisers, and all fees are agreed with clients in advance of undertaking any work.

Blacktower Financial Advisers Limited is authorised and regulated by the Financial Services Authority (FSA). The FSA do not regulate taxation and trust advice, wills, commercial lending and some forms of offshore investment.

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# Disability Discrimination

Mark Slattery, HR Insight Ltd



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**In December 2005 the Disability Discrimination Act 1995 was further amended to widen the definition of disability and introduce a new and positive duty on public bodies to promote equality of opportunity for disabled people.**

**Two and a half years on, it is time for employers large and small to review how well disability issues that arise in their organisations are being handled.**

A person has a disability "if they have a physical or mental impairment which has a substantial and long-term adverse effect on their ability to carry out normal day-to-day activities". Disability Discrimination occurs when a disabled person is treated less favourably on the grounds of their disability, or is treated less favourably for a reason relating to their disability and that treatment is not justified, or where the employer has failed to make reasonable adjustments in order to minimise or eliminate any disadvantage suffered by the employee due to their disability. Employees are also protected from harassment and victimisation in circumstances where they have brought a claim or made a complaint of disability discrimination.

## Where are we now?

Figures from the Disability Rights Commission show that only 50% of disabled people are currently in employment, compared with 81% of non-disabled people. As a result the government launched a campaign to challenge views on disabled people in the workplace called 'Employ Ability'. This encourages employers to judge people on their ability, skills and attitude to work and consider the benefits of recruiting for the widest possible pool of talent.

In our experience, the vast majority of employers in the healthcare sector do not believe that they are discriminating against people with disabilities, but managers often find it difficult knowing how to handle the issue and, without a rigorous approach to the issue, there is always the chance that employers' recruitment processes prevent disabled people applying.

Whatever the size of your organisation, it is well worth ensuring that all staff who are involved in the recruitment process understand their legal obligations in this area and ensure that any reasonable adjustments are properly considered before a recruitment decision is made.

Some disabilities are not obvious and may not be known to you when you take on a new employee.

In July of 2007, the Employment Appeal Tribunal ruled that a police officer who had dyslexia could be regarded as disabled because his dyslexia had led to "a substantial impairment" in his career progression. His disability was not discovered until some time into his employment. This is a very timely

reminder that the emphasis should be on finding ways to ensure that employees who have disabilities are given a proper opportunity to compete for jobs, training and promotion and that reasonable adjustments are made to procedures to enable this to happen.

We strongly recommend to our healthcare clients that they take steps to ensure that managers and supervisors in their organisations are handling disability issues properly and considering reasonable adjustments and how to make the use of all the talents in the workforce, rather than dismissing such things out of hand. In a tightening economy, wise employers are ensuring that they make best of the skills of all their staff when considering how to boost their productivity and a key part of this is making sure that staff are not overlooked because of assumptions about their disability.

## An expensive danger

At the moment, disability discrimination claims are on the increase. Discrimination is an area that has 'unlimited financial liability' for the employer and therefore is an essential area for training all managers and supervisors in your organisation.

At the very least, before taking any action against an employee who has, or appears to have a disability, please consider whether you might be taking an action that would be considered to be discriminatory, directly or indirectly. Getting this wrong can be very expensive.

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# Lifetime Entrepreneurs' Relief

Keith Halstead, Kingston Smith LLP

**The changes to Capital Gains Tax (CGT) have seen an 18% flat rate of CGT being introduced alongside a maximum £1m Lifetime Entrepreneurs' Relief (LER), which is taxed at 10%.**

For Partners owning a share in the surgery premises, this is an especially valuable relief.

**The new relief means that only 10% CGT is payable on the first £1 million of gains on the sale of:**

- trading businesses carried on by a sole trader or in a partnership;
- assets used in a business, if not sold as a going concern and provided they are sold within three years of cessation; and
- shares in trading companies (or the holding company of a trading group), provided the shareholder is an employee or director, and holds a stake of at least 5% of the voting shares carrying at least 5% of the voting rights in the company.

A flat rate of 18% will apply to the balance of any gain over £1 million. This contrasts with the 18% payable on the whole gain, which the Chancellor originally proposed in October 2007.

Gains made on the sale of different businesses over an entrepreneur's lifetime will be added together when calculating the £1 million gain - it is a cumulative lifetime gain. The benefit is therefore aimed more at business people who are retiring than serial entrepreneurs.

However, the rollover relief that is available when an entrepreneur reinvests the proceeds of sale of a business in a further business, and the annual CGT allowance (currently £9,600 of gains per annum) on which no CGT is payable, will continue to apply.

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## IT Accounting

IRIS, the largest privately owned software business in the UK, recently announced its acquisition of Maclean McNicoll Software, a leading provider of specialist accounting software to GP practices.

For practices that may be thinking of changing their accounting system, Kingston Smith has considerable experience in advising clients on the use of various accounting packages including Sage and can assist in training, ongoing bookkeeping and Management Accounts preparation.

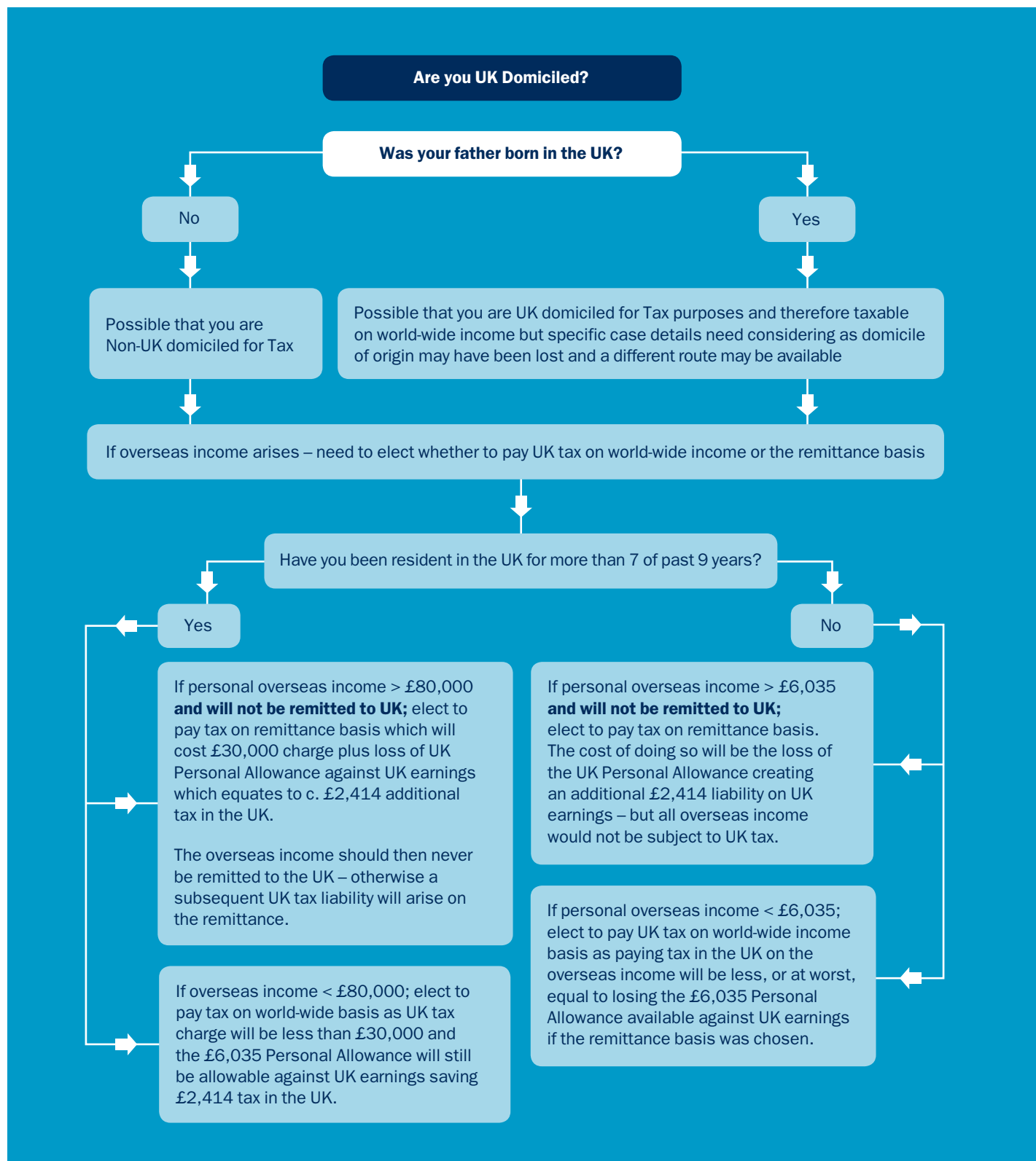
# Residence and Non-Domicile – do the changes affect you?

Paul Samrah, Kingston Smith LLP

**Individuals who have previously been able to benefit from a remittance basis of taxation face profound changes to their tax treatment from 6 April as a result of the changes to the tax regime.**

The flow chart below gives a basic guide to the position and how it might affect you.

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# Dates for your diary

## 5 July

Last date to reach PAYE settlement agreement for 2007/08.

## 6 July

Last day to file 2007/08 P11D/P9D forms and issue them to employees (penalties charged from 19 July).

## 31 July

Due date for second Payment on Account of 2007/08 Income Tax. Last day to pay 2006/07 tax to avoid second automatic 5% surcharge and to file 2006/07 Tax Return to avoid second automatic penalty up to £100.

## 5 October

Deadline for notifying HMRC of taxable income or gains if no Tax Return has been issued for 2007/08.

## 17 October

Tax and Class 1B NIC due under PSA (22nd for electronic payment).

## 31 October

Submit 2007/08 Tax Return if filing on paper to avoid an automatic £100 penalty. Last day to have unpaid tax of up to £2,000 collected through the 2009/10 PAYE code.

Kingston Smith run an extensive programme of seminars. To access the full programme and book your place visit [www.kingston-smith.co.uk/events](http://www.kingston-smith.co.uk/events)

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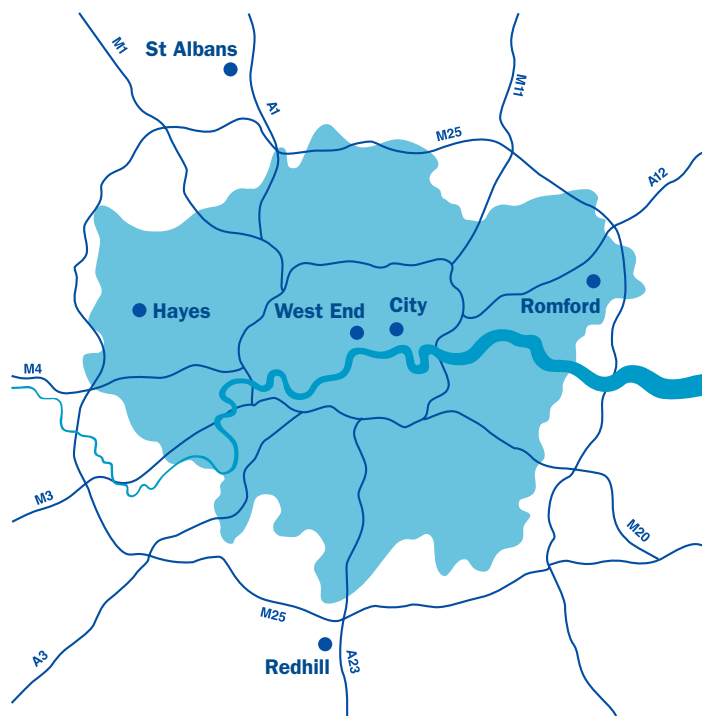
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