

# General Practice - Finance Matters

April 2021

## Property Ownership in General Practice

**It is common practice for a GP partnership to own the property from which primary care services are delivered, but is this the most efficient set up?**

The answer is... ..there is no single 'catch-all' response as the solution will be different for every unique fact pattern, and the aspirations of the individuals involved are also key in the determination of the optimal solution!

There are a number of taxation and commercial considerations relating to the ownership of the property from which you operate, here we look at these in more detail...

### Property owned by the partnership

From an income tax perspective, any notional rent received - this is a reimbursement for GPs who own or lease their premises which is used for approved NHS purposes - will be allocated to the partners who own the property and will subsequently be taxed using the respective partners' marginal rate of tax (likely to be 40% or 45%), plus it will be subject to National Insurance Contributions.

### Property owned by a Limited Company

If the property were to be owned by a limited company, the rent would be subject to corporation tax at 19% (current rate for 2021/22). The company could then retain the funds to distribute to the shareholders in the future, at a time when the marginal rates of tax are lower i.e. upon retirement.

### VAT Implications

For dispensing practices (and some other scenarios), GP partnerships can be registered for VAT, although due to the nature of services provided, GP partnerships are usually 'partially exempt' for VAT purposes. This means that only a proportion of VAT suffered on expenditure is recoverable.

If the GP surgery (property) is likely to be developed in future, the potential costs attributable to the development will likely be high, and it is often the case that holding the property in a separate legal entity (be it a limited company or a separate partnership), will facilitate the recovery of VAT in full, which is much more cost efficient.

## 'Moving' Property

There is a perceived barrier to moving property as it is often thought that such an event will automatically give rise to a Stamp Duty Land Tax ('SDLT') liability. However, utilising the various reliefs available, in some circumstances the movement of property from a partnership to a separate legal entity can result in no SDLT being payable.

From a commercial perspective, if the partnership owns the property it can make it unaffordable for new Partners to join the Partnership due to the value attributable to the property.

There are of course a number of other considerations such as; the inheritance tax impact, the availability of Business Asset Disposal Relief (formerly Entrepreneur's Relief) upon disposal of a property, and the impact of notional rent on partners' superannuation payments, amongst other things.

### Make your property work for you!

If you wish to discuss optimising the ownership of your GP surgery, please do not hesitate to contact our healthcare sector specialists.

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