

The original and authentic Practice value index

Could you reduce your tax bill?

Lis Hughes says that you could make considerable savings on your tax bill through capital allowances



Just before Christmas, I had the privilege of presenting awards at both the Dentistry and Private Dentistry Awards. Both events were brilliant evenings – the surroundings and the food were top class but what was so inspiring was seeing the enthusiasm from the dentists and their teams who had been nominated for an award and the sheer joy on the faces of all the winners.

If you have not attended either of these annual events or taken part you really should, as they showcase all that is brilliant

in dentistry, and we as an organisation are delighted to once again be a sponsor of the 2016 Private Dentistry Awards.

Capital allowances

You may be aware of the ability to claim capital allowances against your commercial freehold property (such as the premises your dental practice operates from). A client recently used our property tax specialists to have his freehold property

assessed to see if there were any unclaimed capital allowances and he was in for a big surprise, as the value of the allowances to be claimed reduced his tax bill enough for him to pay for his new Audi R8.

Capital allowances have the ability to reduce tax bills, but not profit, and many dentists have already benefited from this service. So, if you own a commercial freehold property, the unclaimed allowances are commonly between 20-30% of the value of the property. Most clients assume their accountant has already dealt with this, but for the majority this is not the case.

Put simply, unless you have had someone visit and inspect your property then you will not have been able to make a claim. It is worth you making a call to find out if there is an opportunity to save on your tax bill.

Changing market

We specialise in valuing dental practices and when doing this hundreds of times a year we have a good handle on the market and how it is changing. As with most markets, nothing is static and in dentistry it is the demand for dental practices that heavily influences the value.

Historically we consider a practice valuation to be reliable for an 18-month period; however, this has now changed.

We now advise practice owners to refresh their practice valuations every 12 months and this advice is as a result of a recent internal audit, which found over 58% of practices valued in the past 18 months had increased (in some cases by more than

If you own a commercial freehold property the unclaimed allowances are commonly between 20-30% of the value of the property

40%), which means a practice valued at £400,000 18 months ago could now be worth £560,000.

This view is also shared by the banks that lend to dentists, as it is imperative that they are making decisions based on an accurate and up to date value. **D**



Lis Hughes is managing director of Frank Taylor & Associates, the UK's most successful dental sales agent. Lis has worked in the dental sector for many

years and offers a depth of understanding in what does and does not work and which pitfalls are best avoided when buying or selling a dental practice. Working with both vendors and purchasers during a transaction, Lis has a recognised knowledge and understanding of the business side of dentistry.

IF YOU HAVE had your practice valued either by Frank Taylor & Associates or another agent and want an update, get in touch on 0330 088 11 56. Alternatively, email team@ft-associates.com or visit www.ft-associates.com.

Practice one - London

Practice location - This practice occupies the ground and lower floor of a terraced property situated in one of the most prestigious districts of London.

Practice type - This is a two-surgery fully private practice established for over 17 years, which is being sold as a limited company. The premises are leasehold and a new 15-year old lease has just been agreed.

Practice financials - The gross fee income from management information for the past 12 months is in the region of £470,000. The gross has been generated by one of the two directors working at the practice on a one day a month basis. Three associates work a combined 5.5 days a week, an orthodontist works one day a week and two hygienists work a combined 2.5 days a week. In addition there is a full-time practice manager, two full-time nurses and a full-time patient co-ordinator/receptionist.

Price achieved - A price of £656,966 was achieved, which was the asking price. FTA Finance successfully sourced the finance for this purchase.

Agent's comments - This practice is an almost 100% associate run practice so it would make sense for the new owners to work in the practice, as this would impact massively on the profitability - increasing it to 26% based on the 2014 figures. There is also an opportunity to increase the turnover as there is evidence to suggest a Saturday morning surgery and one late evening a week would be popular.

Practice two - Essex

Practice location - This practice occupies a two-storey, shop fronted, terraced property situated in a prominent row of shops in a busy Essex town. The practice is within 10 minutes of the nearest train station and has many commuters as patients.

Practice type - This is a three-surgery, mixed income practice, which has been established for over 30 years and is being sold to facilitate the principal's retirement. It is being sold as a freehold.

Practice financials - The gross fee income from management information for the past 12 months is in the region of £500,000 and is generated by 55% NHS GDS contract and 45% fee per item. The gross has been generated by the principal working three days a week and is supported by a full-time associate and an associate who works two days a week. Three hygienists work a combined three days a week with four part-time nurses, two part-time receptionists and a practice manager who works two days a week.

Price achieved - A price of £1,119,000 was achieved, which was in excess of the asking price.

Agent's comments - This practice is located in a very desirable area and with 1,709 dentists registered looking for a mixed income practice in this region there is no surprise that the principal received over 10 offers all at asking price or above. The sale went to sealed bids and the principal was able to make a well informed decision as to who would buy the practice.

Practice three - Surrey

Practice location - This practice is based in a two-storey terraced property, situated just off the main high street in a busy Surrey town. There is ample car parking nearby.

Practice type - This is a two-surgery (with an option for a third) fully private practice, which has been established for 15 years. The principal is relocating abroad, which is the reason for the sale. The principal would like to retain the freehold and will create a 15-year lease with an option for the purchaser to buy the freehold within the next 10 years. This is a share sale.

Practice financials - The gross fee income from management information for the past 12 months is in the region of £650,000 and has been generated by the principal working four days a week, and he has been supported by an associate working one to two days a week, two hygienists both working one day a week, a full-time nurse and a zero-hour contract nurse, and two part-time receptionists.

Price achieved - A price of £695,000 was achieved, which was just under the asking price.

Agent's comments - Having the option in the future to put in an additional surgery is always a bonus when buying a practice and in this case the option to buy the freehold in the future is the icing on the cake. This was a share sale, which can from the outside sometimes appear complicated, but with the right guidance from specialist dental accountants working in conjunction with specialist dental lawyers, we sometimes find a share sale to be more straight forward than an asset sale.

Practice four - Wales

Practice location - This practice occupies a two-storey property on a busy shopping street within a busy town. There is a car park within minutes of the practice and local bus routes are within easy walking distance.

Practice type - This is a two-surgery mainly NHS practice being sold to facilitate the retirement of the principal. It has been established for 20 years and is in an idyllic busy location. A new lease of 10 years is available for the new principal.

Practice financials - The gross fee income from management information for the past 12 months is in the region of £300,000 and is generated by over 95% of NHS GDS income. The UDA rate is £30 per UDA, which is exceptionally high. There is a very small element of Denplan. The gross has been generated by the principal working full time in the practice and is assisted by a full-time nurse and a full-time receptionist.

Price achieved - A price of £307,500 was achieved, which was close to the asking price.

Agent's comments - With a healthy UDA rate you can understand why this practice was popular, and there is an opportunity to increase the turnover by increasing the currently modest numbers on the Denplan scheme and fee per item patients. It can be hard for a new principal to make marketing plans at completion and we would always advise the incoming principal to run the practice for at least six months before making any business decisions.