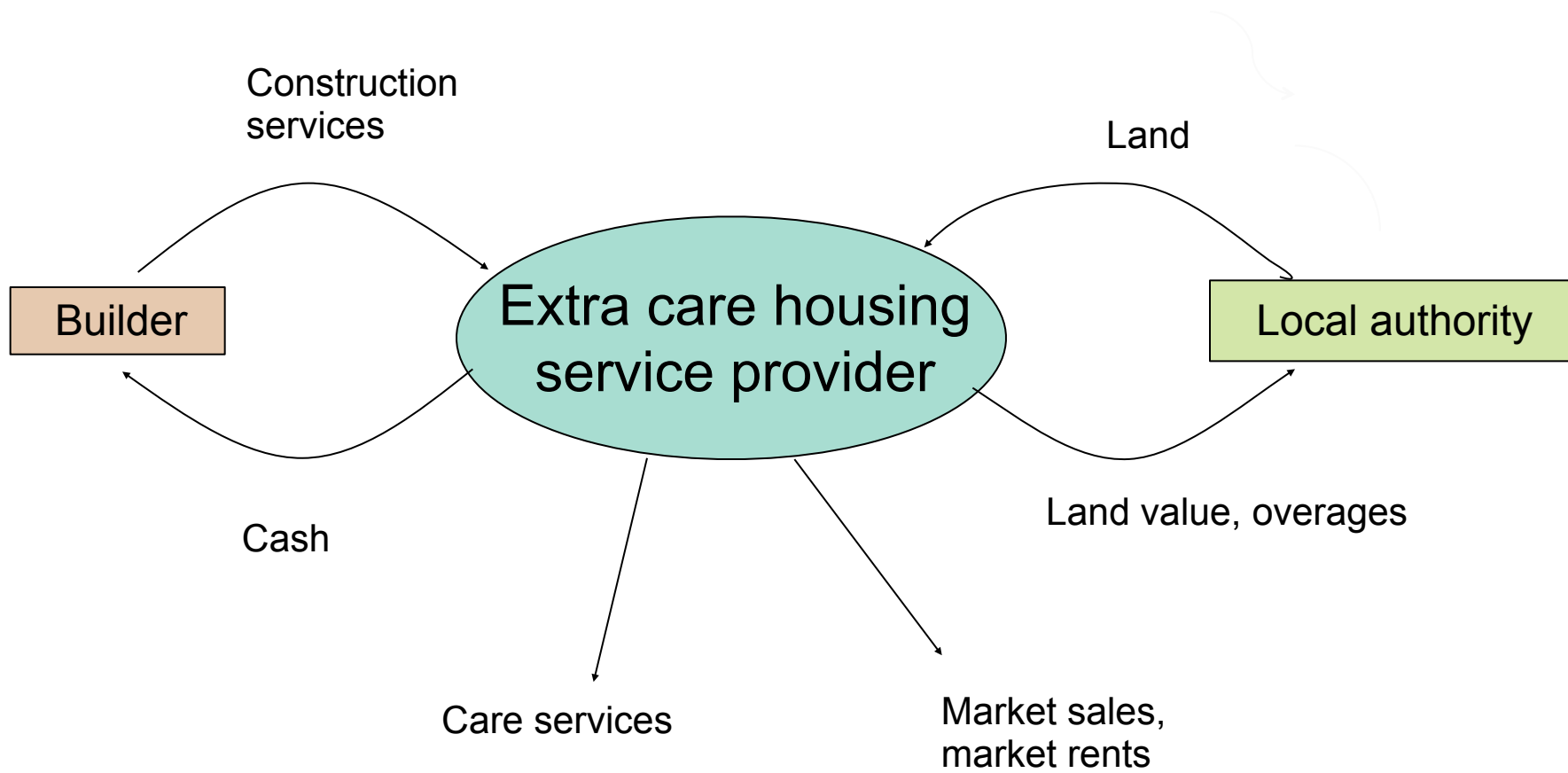


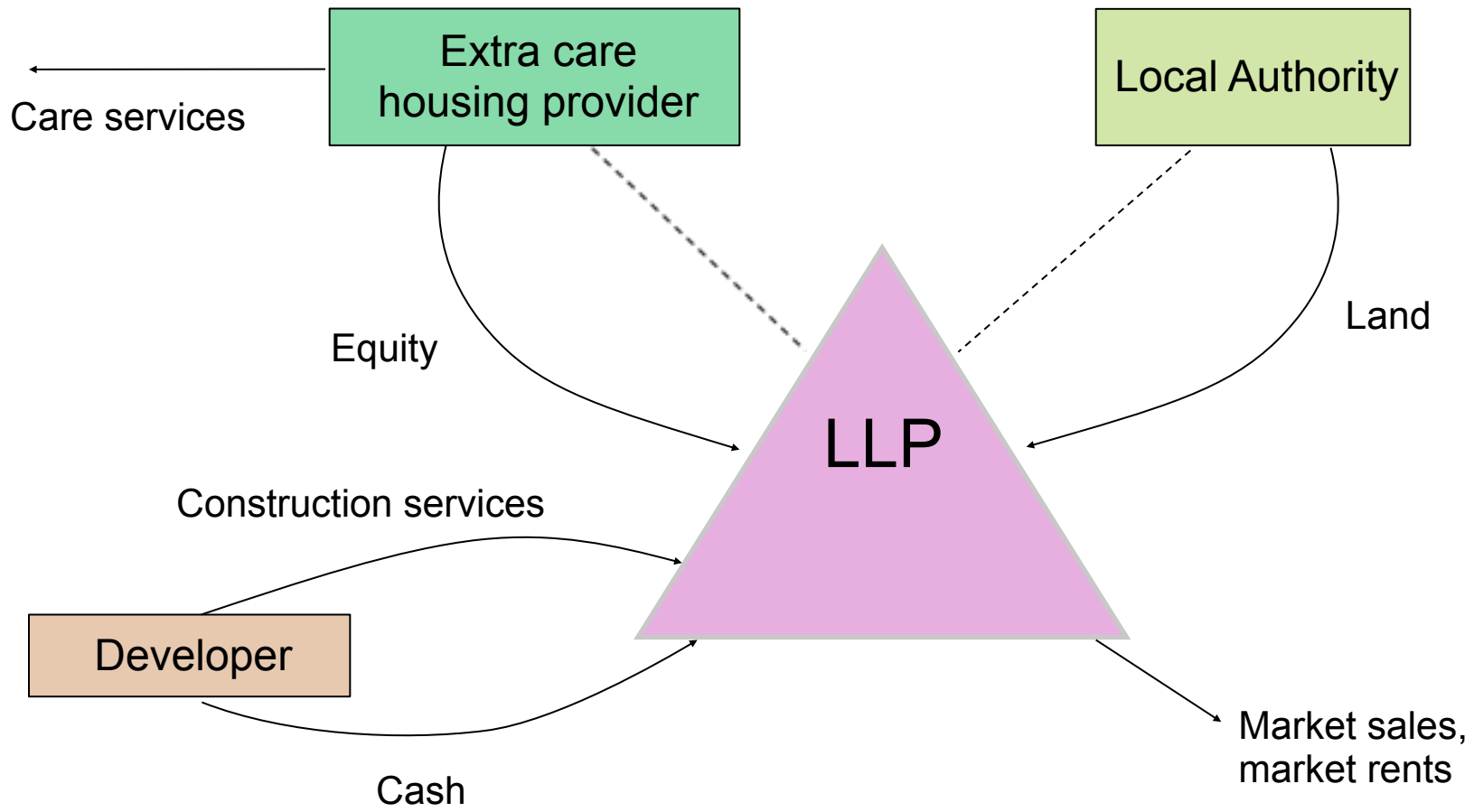
Delivering Extra Care Conference  
Minimising Tax and VAT costs of extra care housing

7 April 2011

# Possible structure (1)



# Possible structure (2)



# Land acquisition

## VAT

- possible option to tax in place
  - only partial VAT recovery on the land
- structuring

## Stamp Duty Land Tax

- unlikely to be much in the way of tax relief
  - even if acquired by a charity
- payable on any land payment, plus best estimate of future overages
- can be mitigated if LLP structure used

# Development costs (VAT)

- new build residential - zero-rated or standard-rated? Is it a dwelling?
- nursing v care home - standard-rated or zero-rated
- conversion of care home to residential units - possible reduced rate
- day centre
- garages / car parking

# Development costs (direct taxes)

- maximising tax relief for construction costs
- "capital allowances" on "plant and machinery"
  - heating /lighting / electrical systems in communal areas
  - lifts
  - fixtures and fittings in dining room / bar / restaurant
  - gym and swimming pool
- ensuring tax deduction for overage payments
  - be clear that it relates to market sale land

# Commercial areas?

## VAT Treatment of Construction Costs

- private dining room - ?
- bar / restaurant - standard-rated
- gym / swimming pool - ?

## Income

- income membership fees - exempt / standard-rated
- catering - exempt / standard-rated
- bar / restaurant - exempt or standard-rated

# VAT Liability of Income

- sale of new residential units - zero-rated
- service charges
- economic conditions - have to consider interim market renting



# The charity dimension

- provision of services to elderly is not of itself charitable
  - recipients must be in need of charitable support
- **development** for market rent is not the same as **purchasing** market rent property
  - purchasing is an investment activity Y
  - development is equivalent to trading in charity terms X
- provision of services to public generally is unlikely to be charitable

# The charity dimension

- **Conclusion:** it is unlikely the scheme is capable of being undertaken within a charity
  - establish commercial arm?

# Sale of care home

- To investor
- To operator

Your experience...



Grant Thornton

Andrea Sofield

email: [andrea.sofield@uk.gt.com](mailto:andrea.sofield@uk.gt.com)

Tel: 020 7728 3311

Andrew Robinson

email: [andrew.robinson@ukgt.com](mailto:andrew.robinson@ukgt.com)

tel: 020 7865 2360