

Some encouragement in fragile economy

IS this the time to be investing in your practice?

Well, on the face of it, no chance; we've experienced the worst recession for 80 years, many practices have suffered depressed profits, the UK economy still appears to be pretty fragile, and even sovereign nations that have over

borrowed are experiencing debt meltdowns. Not an ideal backdrop, one would have to say.

However, by digging a little deeper there may be some encouragement to be gained.

Although firstly, it must be said that if your practice is in the doldrums, it's unlikely to be a good idea to start investing heavily and increasing overhead unless there's a guaranteed and immediate additional income stream to be gained.

Notwithstanding this, it is likely the worst of the recession should be behind us and despite the UK economy still stuttering there are many

practices that seem to be making gains this year.

Although those elusive "green shoots of recovery" may not be seen across the entire UK, there is certainly plenty of anecdotal evidence from the practices we know that business levels are improving.

STUART BURN

of Performance Finance asks whether this is the time to be investing in your practice and suggests there's a good opportunity to make the most of competitive interest rates



Another easy place to look for positives is Bank base rate, which has been at a record low of 0.5% for nearly two years, which is unprecedented. Even with inter-bank lending running a little higher and some banks reluctant to lend, there are still plenty of lenders who see the medical professions as a safe environment and are willing to lend.

On the face of it, it appears these low interest rates could be here for a little while yet. However, the question is timing as inevitably Bank base rate will rise again at some point and when

it does it's likely to be for a sustained period. As many retailers say: "When it's gone, it's gone!" so make sure your timing is good – better locking into a fixed rate too early than too late.

Another area to consider is the annual investment allowance (AIA). This tax incentive is currently set at £100,000, which means you can invest up to £100,000 in assets to develop your business and set this entire amount against your taxable profits. You have to go back well over 20 years before you can find a tax incentive for assets as generous.

The AIA, however, will be reduced shortly to just £25,000, as the government looks for ways to save money. This is clearly nowhere near as attractive as the current £100,000 limit. The process of reduction starts next year with a "transitional year" and completes the following year.

If, therefore, you have any refurbishment projects or major asset acquisition plans, then the timing of these investments needs to be thought through carefully with one eye on how

to maximise your tax breaks.

What is also certain is that this window of low base rates and good tax breaks will not be around for long and I venture only for a number of months rather than years.

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In summary, for those practices that are trading positively, believe the worst is over or have plans to expand, there's a good opportunity to make the most of extremely competitive interest rates combined with generous tax allowances.

Don't miss out!

■ For a table on the AIA reduction next year, e-mail info@performancefinance.co.uk or download it directly from www.performancefinance.co.uk/news/transitional_aia_2012-2013.pdf.

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