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## Added Years, Tax and Premises Sale

### Premises Sale

#### Question:

Our surgery is to be sold to a property developer and after repaying the mortgage there will be a surplus- amount not yet known- to split between the partners. Two of partners originally bought the building but other partners have subsequently joined. While they did not buy surgery shares, they did take over retiring partners mortgage payments that are reimbursed via cost rent (now called borrowing costs). How should the surplus be split?

#### Answer:

Normally when taking over a retiring partner's mortgage payments, an incoming partner would also take over the corresponding surgery share.

Options such as splitting the surplus on an equal basis or basing it on profits shares, or weighing the split depending on the length of time each partner has made mortgage payments, do not in my view get to the heart of the situation.

You should try to reflect the concept of the new partners buying a property share at the time they took on making mortgage payments.

A properly qualified valuer could backdate valuations for each of the new partners. Then you could apply the relevant share 'purchased' and work out the benefit to each partner. This should be based on their property interest (assuming they had bought in). The disadvantage is that the sum to be distributed needs to be big enough to cover the valuer's professional costs.

If not, it would be simpler and less costly to split the excess amount equally. Or if the surgery's value has increased at a steady rate, you could weight the split by the period each partner has made mortgage payments.