Part 3: Budgeting and costs

How much will the transaction cost me?

Buying and Selling a Dental Practice

1. Deposit at heads of terms stage
   As discussed in ‘Agreeing heads of terms’, it is likely that you will be required at that stage to pay a deposit to the seller or the seller’s agent. This deposit serves to grant you exclusivity in purchasing the practice for a determined period of time. The heads of terms and accompanying deposit will also help ensure the commitment of both parties to the transaction.

2. Deposit at exchange of contracts
   You will usually be required to pay 10% of the purchase price at the exchange of contracts. Although this money will be deducted from the purchase price paid at completion, this could amount to a large sum of money. Although you may be using a bank loan to fund the purchase, this money will only be transferred upon completion of the transaction. Therefore unless the 10% deposit is waived you may find yourself having to pay a considerable fee at this point.

3. Legal Costs
   The cost of obtaining the necessary legal representation can vary greatly and is dependent on a number of key factors.
   a) Is the seller selling the assets of the practice or selling the shares in the practice?
   b) Is the practice partly or wholly NHS or totally private?
   Practices with NHS contracts will also require additional legal work.

4. Searches and property surveys
   As part of the due diligence process, by which the buyer’s solicitors will seek to ensure that the practice is worth the purchase price, certain searches and surveys may well need to be carried out. The most notable searches relate to the premises and can cost around £500 to £800. Property surveys may also need to be carried out, at further cost, to ensure that the condition of the practice is acceptable and to discover any potential defects.
   These searches and surveys, if they discover any defects, will give the buyer’s solicitor an opportunity to try and negotiate that the defects should be remedied by the seller or reflected in a price reduction. One of the requirements of receiving bank funding is that such surveys are carried out to protect their investment.

5. Stamp Duty Land Tax (SDLT)
   A percentage of the property price will be payable as SDLT within 30 days of the transaction. The percentage payable depends on the price of the property. Properties under £150,000 will only pay 1% whereas properties over £250,000 will have to pay at a rate of 4%.

6. Stamp Duty
   This potential cost only applies where you are purchasing the shares of the company rather than the assets. Stamp duty will be payable at a rate of 0.5% and is rounded up to the nearest £5. One of the benefits of a share purchase may be that if the property is wholly owned by the company selling and you are buying all of the shares then SDLT will not be payable.

7. Land Registry fees
   It is likely that any purchase will involve the registration of your interest in the property (whether freehold or leasehold) at the Land Registry.

8. Apportionments
   Although not usually a major concern, apportionments should be kept in mind when budgeting. Payments that require apportionment include rental payments, electricity, gas, water and commercial contracts. Every sale and purchase therefore should take these payments into account and ensure that at completion or at post completion that the money is redistributed correctly.

The likelihood that a retention of the purchase price is required.
If the property is freehold or leasehold? The negotiation of a lease will require a greater amount of time and legal documentation.
Ultimately the value of the transaction will also drive a solicitor’s costs up. This is due to the extra risk involved.

Ultimately therefore the costs of legal advice can vary considerably between transactions and are dependent on a number of factors. mfg Solicitors LLP have for several years offered clients wishing to sell or purchase a dental practice to be instructed on a fixed fee basis. This allows peace of mind when it comes to budgeting.

Unfortunately this calculation is only one of a number of costs that must be taken into account as part of the overall budgeting process for the whole purchase transaction. A number of the following costs may well apply to your transaction:

1. Deposit at heads of terms stage
2. Deposit at exchange of contracts
3. Legal costs
4. Searches and property surveys
5. Stamp Duty Land Tax (SDLT)
6. Stamp Duty (Companies only)
7. Land Registry Fees
8. Apportionments

It is worth the purchase price, certain searches and surveys may well need to be carried out. The most notable searches relate to the premises and can cost around £500 to £800. Property surveys may also need to be carried out, at further cost, to ensure that the condition of the practice is acceptable and to discover any potential defects.

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The cost of obtaining the necessary legal representation can vary greatly and is dependent on a number of key factors.

a) Is the seller selling the assets of the practice or selling the shares in the practice?
b) Is the practice partly or wholly NHS or totally private? Practices with NHS contracts will also require additional legal work.

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Seller

As a seller you will almost certainly have fewer costs to budget for than a buyer. However the following costs may well apply:

1. **Legal costs**
2. **Agents costs**
3. **Capital Gains Tax (CGT)**
4. **Apportionments**

**Legal Costs**

The cost of obtaining the necessary legal representation can vary greatly and is dependent on a number of key factors.

a) Are you selling the assets of the practice or selling the shares in the practice?

b) Is the practice partly or wholly NHS or totally private? Practices with NHS contracts will also require additional legal work.

c) The likelihood that a retention of the purchase price may be required by the buyer.

d) Is the property freehold or leasehold? This can impact on the costs charged.

e) Ultimately the value of the transaction will also drive a solicitor’s costs up. This is due to the extra risk involved.

Ultimately therefore the costs of legal advice can vary considerably between transactions and are dependent on a number of factors. mfg Solicitors LLP have for several years offered clients wishing to sell or purchase a dental practice to be instructed on a fixed fee basis. This allows peace of mind when it comes to budgeting.

2. **Agent’s costs**

If you have chosen to sell your practice through an agent then you will need to budget for their costs. These are often based either on a fixed fee basis or a percentage of the purchase price. The agent’s fees are usually paid on completion of the matter.

3. **Capital Gains Tax (CGT)**

Specific tax advice should be taken in order to accurately calculate any potential tax liability you may have. In summary however CGT is paid following a HMRC tax return in the year in which completion took place. Tax is essentially payable on any financial gain between the price paid when you purchased the practice and the amount you sold the practice for (with certain costs deducted such as professional costs at the time of acquisition and disposition).

4. **Apportionments**

Although not usually a major concern, apportionments should be kept in mind when budgeting. Payments that require apportionment include rental payments, electricity, gas, water and commercial contracts. Every sale and purchase therefore should take these payments into account and ensure that at completion or at post completion that the money is redistributed correctly.