

DENTAL ISSUE WINTER 2024

# in the know

All the latest news & updates

**NHS  
Pension:  
What is it  
worth?**

**A guide to  
budgeting  
for dental  
practices**

**Making  
tax digital**

**Budget Update**



**dodd&co**

Chartered Accountants,  
Business & Financial Advisers

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# Welcome to our winter edition

As the year draws to a close, it's a perfect moment to look back on everything 2024 has offered.

This year, we've had the privilege of supporting numerous clients with practice sales, including some who have been with Dodd & Co since before my accountancy journey began. Alongside this, we've seen some fantastic surgery purchases, extensions, and squat practice start ups. It's incredibly rewarding to witness long-term clients achieve their retirement dreams whilst also guiding the next generation as they embark on their journeys as business owners. Being part of these milestones, however small, is a huge privilege.

The recent budget introduced several significant changes. For dentists the rise in employer National Insurance Contributions (NIC) is certainly a concern for many, and while the increase in the National Minimum Wage is excellent for employees, it adds further pressure to payroll costs. We've delved into these budget implications in detail in our article on page 4.

In addition to my role as a Partner at Dodd & Co, I am also honoured to hold the position as Chair of NASDAL (the National Association of Specialist Dental Accountants & Lawyers). On page 11, you'll find details of the NASDAL DCby1 Practice of the Year award – applications are now open! I'd love to see some of my clients take part, and I wish you the best of luck if you do.

We hope you enjoy reading this edition and if you'd like to discuss anything mentioned please contact me.

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# Making Tax Digital

Initially announced in 2015, HM Revenue & Customs introduced the first phase of MTD in 2019 for VAT registered businesses with a turnover over the VAT threshold. In 2022, all other VAT registered businesses had to comply. Despite delays, we believe that MTD will go ahead for sole traders (including those with property income) in April 2026 (for those with income over £50,000) and April 2027 (for those with income over £30,000).

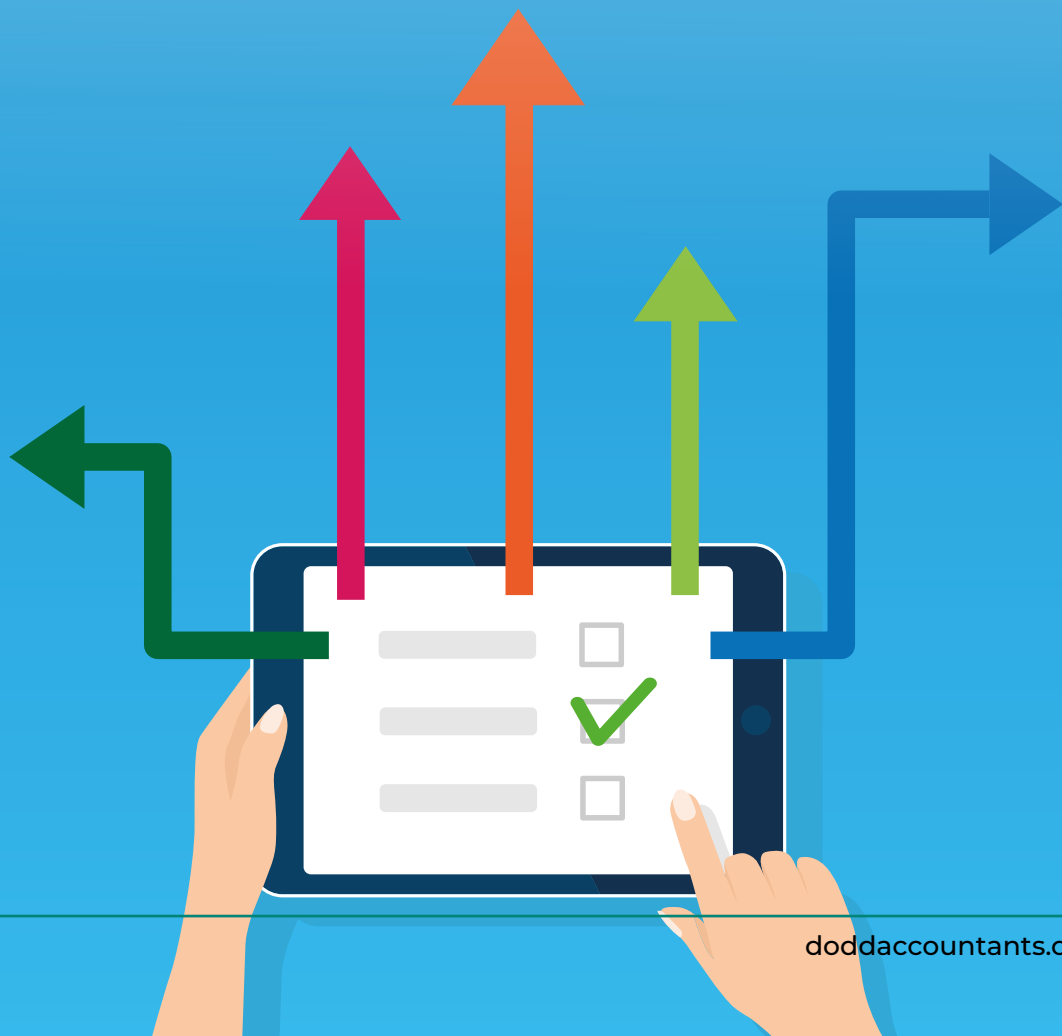
To meet MTD requirements those who have to comply will need to keep records digitally, provide quarterly updates and be able to provide their information to HMRC through compatible software.

Nearly all of our practice owners already use compatible software so this shouldn't cause you any extra work. Although you will need to ensure it is kept up to date.

A lot of our dental associates will have to comply (there is no getting out of it!), either in 2026 or 2027 and some are ahead of the game and have started using software early. Whilst it may feel daunting, there are some great straightforward and easy to use options.

Many of you have asked us for advice and would like to start using the software for your next accounting year, from April 2025, so you are very used to what is required before it actually becomes a legal requirement.

We have various options for you to consider and will be in touch with all our clients in due course, however, if you'd like to get ahead of the game and talk to us about MTD, please contact [emma.hind@doddaccountants.co.uk](mailto:emma.hind@doddaccountants.co.uk) who can give help and advice.



# Budget 2024 Update

A couple of months ago the new Prime Minister warned that the upcoming Budget would be painful and it certainly was for businesses, particularly owner-managed businesses.

## Employers NIC

The headline grabber was a £25bn increase to Employers NIC. This is currently charged on staff salaries above a £9,100 threshold at a rate of 13.8%. For example, a member of staff on a £25,000 salary (the current employers NIC is £25,000 less £9,100 = £15,900) then charged at 13.8% = £2,194 cost to the employer.

Changes announced in the budget tweaked both the threshold down to £5,000, and the rate up to 15%. For this same member of staff, the cost from April 2025 will now be £25,000 less £5,000 = £20,000, then charged at 15% = £3,000 (so an increase of £806, or 37%!).

To soften the blow for smaller employers, the “employment allowance” (EA) has been increased from £5,000 to £10,500. EA exempts the first tranche of employers NIC, so it is a welcome increase for smaller employers and in broad terms we would expect employers of up to around 5-7 staff to be no worse off after these changes.

The “problem” with (EA) is that it is not available to businesses doing more than half of their work in the public sector, which includes NHS dentistry. Predominantly NHS practices will therefore not qualify for EA so the softener above will not benefit them at all, and the equivalent NHS practice with 5-7 staff may be facing an employers NIC increase in the region of £4k-£6k.

## National Minimum Wage/ Living Wage

Another significant cost on the horizon for dental practices is the upcoming increases to the National Minimum Wage/Living Wage.

21 year olds and above will be entitled to £12.21 per hour from April 2025, which is an increase of 6.7% on the £11.44 they are being paid now. A full-time member of staff (assuming 37.5 hours per week) will be entitled to a £23,810 salary from next April, which is an additional cost of £1,502 over what they are paid now (and that's before the NIC increase).

18-20 year olds will see their wages increase significantly by 16.3% from £8.60 to £10.00 per hour and under 18s/ apprentices will also see a similar increase of 18% from £6.40 to £7.55 per hour.

## Capital Gains Tax (CGT)

Changes to CGT had been widely expected in the lead up to the budget. The changes were perhaps not as drastic as they could have been, but will still result in some significant tax increases on the sale of dental practices in the future.

The main relief available for practice owners when they sell their business is "business asset disposal relief" (BADR). This covers the first £1M of lifetime gains on business assets and has historically resulted in a reduced rate of CGT of just 10%.

Thankfully, the £1M lifetime limit remained, but the 10% rate will increase to 14% from April 2025 and then increase again to 18% from April 2026.

The normal rates of CGT on non-business assets have also been increased. Previously, these were 10% and 20% (for gains falling in the basic and higher rate tax bands) and slightly higher rates for residential

property at 18% and 24%, respectively. The 10% and 20% rates were aligned to the same current rates for residential property at 18% and 24% and these rates were introduced from budget day, so 30 October 2024.

These are also the rates charged on business gains once you have fully utilised your £1M lifetime allowance of BADR.

A dental practice being sold at say £2M would have previously suffered CGT of £300,000. The same practice being sold after April 2026 will suffer CGT of £420,000.

Depending on the timing of your business sale, the CGT liability could be significantly more than initially expected and there may be a flurry of business sales being pushed through before 5 April 2025.

## Inheritance Tax (IHT)

There were some quite brutal changes announced with regards to IHT, which have caused particular concern within the farming industry.

Dentists do not rely on IHT reliefs quite as much as farmers but those that still hold business assets (ie. Their dental practice) at death will have their 100% business property relief capped at £1M from April 2026, with any business assets in excess of this only qualifying for 50% relief, and the other 50% being potentially taxable at 40% as part of the deceased's estate.

The other change to IHT involved private pensions, which will now be pulled into the scope of IHT from April 2027. Whilst this is a significant move, thankfully some of the other rumoured measures on pensions did not come to fruition, such as NIC on employer contributions and restrictions to tax relief on contributions. Pensions therefore remain an incredibly tax efficient way of extracting funds from your business.

# A guide to budgeting for Dental Practices

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**Inflation has placed pressure on business finances, meaning managing your money is more important than ever. Budgeting is a highly useful tool to monitor performance, manage funds, meet objectives and make improved decisions for future expenditure.**

Budgets are often set for a period of six months to one year, with estimates of income and expenses that are tracked against actual performance. A good place to start is to look at your most recent accounts or software profit and loss account. From there, you can plan category by category what you expect to have as income and expenditure for the budget period.

This will group items into areas such as wages costs, premises expenses, cost of sales (materials, associates, hygienists and labs) and admin costs (repairs, sundries, subscriptions etc.). Some items will be fixed, like rental costs, and others may fluctuate, like heating costs being higher in winter.

Once you have a budget based on existing financial information, you can then start to think about the practice's goals for the future. For example, you may want to budget for staff receiving X% wage rise, or

to check the impact of purchasing a new piece of equipment, like a scanner on finance. Budgeting will enable you to judge the impact of those decisions. The tracking of ongoing performance will help you see if those assumptions were correct or mistaken earlier, to then adjust where necessary.

Budgeting is useful for spotting areas where expenses start varying to where you would like them to be. Investigating costs, to see if it's due to a price increase or over ordering for example will give you knowledge in areas where bills have risen rapidly. It is also useful for setting SMART goals, such as an aim to increase private patient income by 5% on last year. This is a SMART goal as it is specific, measurable, achievable, relevant and time bound. Budgeting aids you in both knowing what the 5% increase would be and allowing you to track month by month if you are on target to reach it.

Cloud software such as Xero or QuickBooks can be used to set a budget and will simplify the tracking of current performance to predicted performance with reports built into the software. Dodd & Co have certified users of both systems that can help you get the most out of your accounts software and set a solid financial structure to manage the practice for long term financial success.

Contact us for help and advice on your practice budgets.



# Employing staff outside of the UK

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**Filling positions for skilled workers can often be difficult as the job market continues to be affluent and a workers market.**

Making sure your employees feel valued, appreciated and are provided with a good employment package and career progression can help with your recruitment campaigns, but how else can you fill those positions if you are struggling to recruit?

Employers considering offering positions to people who are not UK citizens are sometimes looking at acquiring a sponsors licence as a way to fill those much needed roles. To gain a sponsors licence there are a number of steps you need to take and the administration and legal costs may be high, however, you could find that if successful, your new employee could be an integral asset to your team.

The process is complex and time consuming, so we recommend you do your research and consult a solicitor before you proceed.



# NHS Pension: What is it worth?

By Heidi Marshall

It never ceases to amaze me the number of young dentists I speak to who are working in the NHS and say they are “not bothered” about their NHS pension. I guess I shouldn’t be surprised really, I couldn’t give a damn about my pension when I was in my late 20s either!

Two things dramatically changed my view on pensions - sitting my diploma in regulated financial planning and turning 40. The trouble is only starting to save for retirement when you are in your 40s means you have to save a lot more than you would have if you had started to save in your 20s.

The NHS pension is an incredible pension (that is my opinion not financial advice!) but very few people who are part of the scheme truly understand how it works and what it is worth especially when you compare it to a private pension.

The NHS pension has three different schemes – 1995, 2008 and 2015. They all work slightly differently so for the purpose of this article I am focussing purely on the 2015 scheme, as this is the NHS pension scheme that all NHS pension members are now paying into.

The 2015 NHS pension scheme is a “career average revalued earnings” (CARE) scheme. All pensionable earnings throughout your career are added to a pot, and revalued each year by a process known as “dynamisation” which for active members is essentially based on CPI inflation rates plus 1.5%. When you retire and draw your pension, the annual pension you will be entitled to will be based on 1/54 of your dynamised career earnings pot. As an example, if your total dynamised career earnings came to £1.35M at retirement then this would entitle you to an annual pension in retirement of £25,000 (ie. 1/54).

There is no automatic tax-free lump sum in the 2015 pension scheme but you do have the option of giving up annual pension and receiving a tax-free lump sum. This is done on a “1 for 12” basis, so using the above example you could opt to give up say £5,000 of annual pension (thereby reducing the annual pension to £20,000) and that would entitle you to a £60,000 tax-free lump sum.

If you are part of the pension scheme then you will need to pay superannuation contributions on the earnings that you pension. The contribution tiers depend on your earnings and look like this:

Pensionable earnings	Contribution rate from 1 April 2024
Up to £13,259	5.2 per cent
£13,260 to £26,831	6.5 per cent
£26,832 to £32,691	8.3 per cent
£32,692 to £49,078	9.8 per cent
£49,079 to £62,924	10.7 per cent
£62,925 and above	12.5 per cent

Your pensionable earnings if you are employed are your gross earnings from the NHS.

If you are a self-employed associate they are based on your net NHS earnings paid to you from the practice, after the deduction of lab fees etc. If you are a practice owner, you will get what is left after you have allocated the pensionable earnings to your associates. A very simplified example of how to calculate your net pensionable earnings can be found here:

NHS Contract Value	£100,000
Max NPE	£43,900 (43.9%)
Principal and associate split work	50:50
Associate earns	£22,500 (45% of £50K)

Nb. For simplicity I have assumed there have been no lab fees deducted.





NPE declaration:	
Maximum based on the NHS contract	£43,900
Less associate earnings	(£22,500)
Balance to allocate to the principal	£21,400

The main difference between an NHS pension and a private pension is that the NHS pension is a defined benefit scheme and a private pension is a defined contribution scheme. The difference being that for a defined benefit scheme you pay a certain amount into your pension and are guaranteed a certain amount of money when you come to retire. Whereas, for a defined contribution scheme you contribute a defined amount and the amount you get when you come to retire is dependent on where the funds have been invested and how they have performed.

As mentioned above, looking at the 2015 scheme your NHS pension has an accrual rate of 1/54. This means if you have £100k of net pensionable earnings, you will pay £12,500 (12.5%) in superannuation contributions and your annual pension accrued will be worth £1,851.85. Being £100,000 divided by 54.

For a private pension, assuming we're looking at an equivalent contribution of £12,500, this would typically then be invested. What the pension pot is invested in can vary depending on the appetite for risk. At retirement, you can then either draw down the money as and when you need it from the pension pot, or you can purchase an annuity. Purchasing an annuity gives you a guaranteed annual pension. The current annuity rate for a private pension is approximately 6%. Therefore, if you paid £12,500 into your private pension pot you would get a pension of £750 (6% of £12,500). To get an annual pension of £1851.85 you would therefore need to pay £30,866.67 into the pot, rather than £12,500 superannuation contributions if you are in the NHS pension scheme.

Of course, I have simplified this to prove my point. In reality if you invest in a private pension you should (hopefully!) see it grow over a number of years. This means you wouldn't necessarily need to pay the full amount in as you can fund part of your pension pot with the growth. That said this growth is not guaranteed and a private pension can go down as well as up! If you are relying on a private pension starting young can make a huge difference to the level of growth and your income in retirement.

The NHS pension is guaranteed, and index linked. Meaning it increases year on year with inflation. There are also other benefits that having an NHS pension brings along with it such as death in service, sick pay, maternity pay etc.

There have been a number of practices moving away from the NHS over the last year or two and from a business point of view I can completely understand why some practices have made that decision. Depending on the size of your contract, your UDA rate and your ability to recruit some practices have been left with very little choice. However, if you have recently handed back an NHS contract and/or are thinking about it please ensure that as well as the business numbers you speak to an independent financial advisor about the impact of doing less or no NHS work on your personal finances too.

If you don't know a good specialist independent financial advisor, please get in touch and I can point you in the right direction.

# Have you received a Remedial Pension Savings Statement?

The McCloud remedy has now been enacted. One effect of this is to review the annual allowance tax calculations, to identify and declare any underpaid charges to HMRC (including those for 2022/23 which due to a last-minute announcement did not need to be included on the tax return) or request refund of overpaid charges from them. This will be done using a new reporting system which is entirely separate to the normal self-assessment tax return.

Some dentists have already received an envelope through your door containing a "Remedial Pension Savings Statement".

If you are a Dodd & Co client and have received one of these letters, please send it to us for review immediately, because the deadline for action for most is 31st January 2025.

Accountancy fees of up to £1,000 (including VAT) incurred in relation to this work should be able to be reclaimed as part of the remedy compensation scheme. We expect this compensation to cover most/all of our fees in most cases.

For our clients, we have identified those we believe are affected and will take all necessary steps to initiate the reporting on your behalf.

However, if you think you might be affected and we haven't been in touch with you by February 2025 and you also haven't received a remedial pensions savings statement by then please do get in touch with your usual contact. If you are already drawing your NHS pension the deadline is later so don't panic!



# Could you be NASDAL DCby1 Practice of the Year 2025?



As proud members of NASDAL (National Association of Specialist Dental Accountants and Lawyers), Dodd & Co are delighted to get behind the NASDAL DCby 1 Practice of the Year award. The winner of the award will win £1000, a trophy, and the right to use the NASDAL Dental Check by One Practice of the Year 2025 title.

The award, now in its seventh year, seeks to recognise a dental practice that has been successfully implementing and supporting the British Society of Paediatric Dentistry (BSPD) Dental Check by One (DCby1) into their practice. The aim of the campaign is to increase the number of children who access dental care aged 0-2 years. The NASDAL DCby1 Practice of the Year award seeks to highlight excellence in the provision of oral care for children with a prevention focus, and showcase the opportunity to achieve real business improvement.

Particular credit is given to applications from dental practices with evidence supporting their contribution to the overall health of their community. The judging panel takes into consideration creative approaches that may show qualitative and / or quantitative results.

The award will be presented by CDO England, Jason Wong, at the BDIA Dental Showcase in Docklands ExCeL on Friday 14th March 2025.

Applications for the award are open and can be submitted at <https://nasdal.org.uk/awards/>

To give yourself the best chance of winning the award, please send a maximum of 750 words and no more than 5 pages of supporting documentation with your entry by Friday 7th February 2025.

Winners will be notified by email before Friday 21st February 2025 and will receive the award and presentation at the BDIA Dental Showcase at Docklands ExCeL on the morning of Friday 14th March 2025.



# Do you have the HMRC App?

The app, which can be downloaded from Apple or Google, is free and a really quick and easy way to get information about your tax, National Insurance, state pension, tax credits and other benefits.

Please see the link below to download the app:

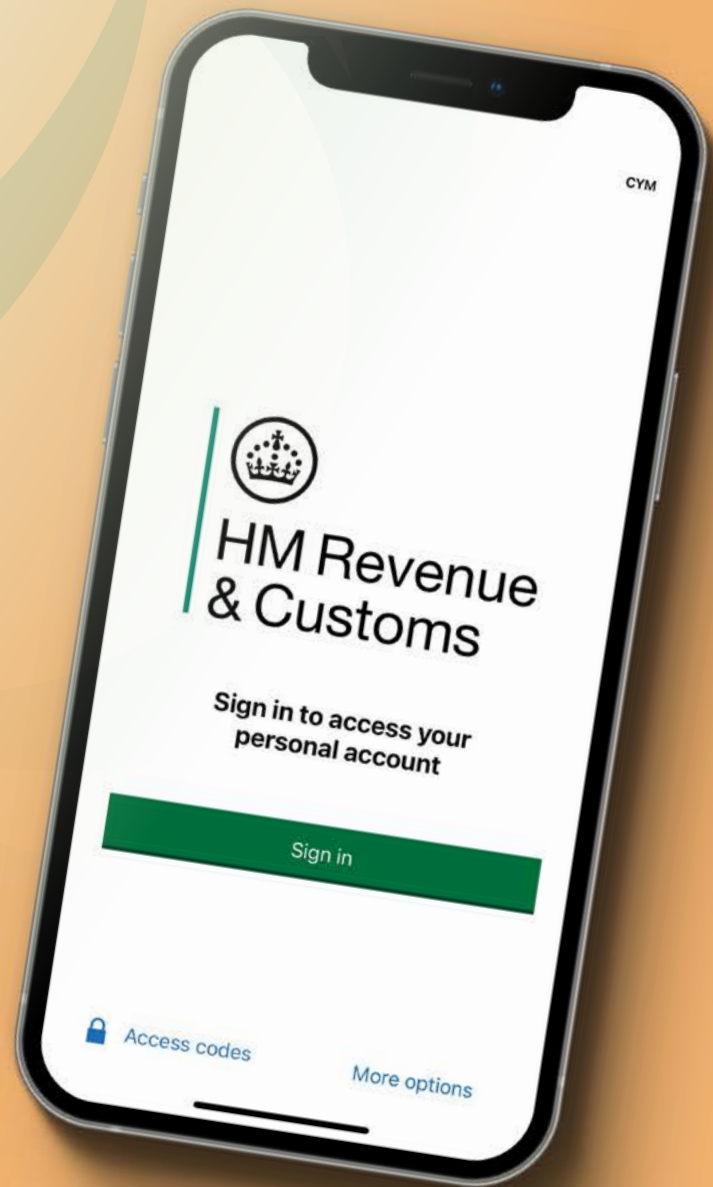
<https://www.gov.uk/guidance/download-the-hmrc-app>

For your personal tax payments, you can use the app to check how much self-assessment tax you owe and make a payment to HMRC from within the app (make sure that this agrees with the figures you have received from us!).

You can also use it to check your tax code, your NI number (you can save your NI "card" into your Apple or Google wallet), your employment and income history for the previous 5 years and your state pension forecast.

You can opt to go paperless on the HMRC app, so all your important letters are easily accessible. You can also allow notifications and reminders so you can't miss a payment deadline, for example.

You will need your Government Gateway user ID and password to sign in for the first time, thereafter you'll be able to access the app quickly by using either a 6 digit pin, your fingerprint or facial recognition. If you don't have a user ID, you can create one in the app.



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