

DENTAL ISSUE SPRING 2025

in the know

All the latest news & updates

**Employer
NIC Rises**

**Buying a
practice**

**Tax
deductible
expenses**

Making Tax Digital - Are You Ready?



dodd&co

Chartered Accountants,
Business & Financial Advisers

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Welcome to our spring edition

Many of you reading this will have picked up a copy at the Dentistry Show. This is our first time exhibiting at this particular show and so you don't forget our smiling faces we have a team sheet and details of Heidi's seminars on the back page, which are always popular, so make sure you don't miss out!

If you're a self-employed dentist, you will be the next to be affected by MTD (Making Tax Digital) from April 2026, and our article on page 7 is a must read for any of you with turnover over £50K per annum. There is no getting out of it, you will need to take action and you will hear me personally banging this drum for the months to come!

With practice owners looking at Employment costs, can anything be done to minimise the impact? Check out our article on page 3 along with an update of the National Minimum Wage increases which were effective from 1 April 2025.

Heidi's expertise in assisting with practice purchases continues to be a valuable service and she regularly has a few "on the go"! Her article on page 6 may be interesting to those of you considering taking the leap for the first time. If you're at the Dentistry Show don't miss her seminar on Saturday.

Hopefully we have a lovely mixed bag of interesting articles for you all, if you have any queries or would like to discuss any in more detail, please get in touch.

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Employer NIC rises, can anything be done?

Last October saw the announcement of an increase to employers NIC rates on 6 April 2025 from 13.8% to 15%, combined with a lowering of the threshold at which they are paid from £9,100 to £5,000. This blow was slightly softened with small businesses having an annual employment allowance increase from £5,000 to £10,500. The employment allowance is not claimable by dental practices who do more than half their work for the NHS.

Our calculations have shown that practices with higher staff numbers look likely to be impacted significantly by the change. Particularly those working predominately within the NHS who can not access the £10,500 allowance.

Is there anything that can be done?

One option is to increase turnover to cover the additional costs and the simplest method of doing that is by raising patient fees. However, patients have also faced the same costs of living burdens as the rest of us, so large fee increases may be difficult to implement. Of course, if you are a fully NHS practice you don't have the luxury of setting your prices and will no doubt be eagerly awaiting the DDRBs recommendation to the government. Frustratingly, practices won't find out about their contract uplift until months after the increase in employers NIC has been implemented.

Another option is to arrange for your employees to reduce their taxable income via salary sacrifice. Pension contributions can be salary sacrificed and other schemes available are cycle to work, or additional annual leave (holiday) purchase. These can substantially reduce your ER NIC liability over a year.

Care must be taken in implementing salary sacrifice schemes to ensure HR and legal compliance.

National Minimum Wage Changes

Increases from 1 April 2025	
The rate per hour depends on your age and whether you are an apprentice.	
21 + Year Old Workers (National Living Wage)	£12.21 per hour
18 - 20 Year Old Workers	£10.00 per hour
Under 18 Year Old Workers	£7.55 per hour
Apprentices who are either under 19 or in their first year of their apprenticeship	£7.55 per hour
Please note that the minimum wage legislation requires that all employees who are paid an hourly rate must have an itemised payslip showing their hours worked and their hourly rate.	



Employers must comply with the law. Please contact Dodd & Co if you need further help and advice.

Income Protection: Are you still covered the way you need?

According to an article by Association of British Insurers (ABI)*, last year saw a record number of income protection policies taken out, totalling more than 247,000 new plans. This is a 16% increase on the previous year and is the highest level since data started being recorded in 2000.

While it's great to see that there has been an uptick in new plans being taken out, do any of us actually review the level of cover we have in place on a regular basis?

In our experience dentists are actually really good at getting income protection in place when they first start working, so we would expect that the above figure will include a great number of new dentists, however we also find that they often do not regularly review their plans once they have been put in place.

Income protection can cover up to 60% of annual earned income before tax. Dividend income can be included providing it is clearly related to work activities as well as payments having a regular payment pattern rather than irregular one-off payments.

Let's take look at an example of an associate dentist putting cover in place, bearing in mind that the level of cover you can put in place is dependent on income levels. The current average salary of a typical associate dentist is **£90,161 meaning the total level of cover that could be arranged would be around the £54,096 level. As this benefit is typically paid out tax free, this level of cover would be more than enough to fund lifestyle if off work for the long term.

Fast forward a few years and you are now the owner of a practice. With this comes increased earnings to an average of **£161,266. You may think that your protection policy will pay out £96,759 (60% of your earnings). However, if there was a cap on your earnings when you took out the policy that may not be the case.

When dentists make the switch from associate to practice owner, in the majority of circumstances, buying a practice will be financed by borrowing and lenders usually ask for sufficient life cover to be in place to meet the liability, should the worse happen. However, income protection is never part of the requirement to lend and hence can often be overlooked.

Reducing your workload is also a good opportunity to revisit your plans and make any necessary adjustments. For example, a practice owner earning **£161,266 per year who then semi-retires and takes up a locum position, and earnings drop to £50,000 per annum. Remember, you would only receive a benefit of 60% of **current** earnings so you may be paying for more cover than you can actually claim for, hence why regularly reviewing any Income Protection put in place is essential .

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*<https://www.abi.org.uk/news/news-articles/2024/3/record-number-take-out-income-protection-insurance/>

**2024 Statistics provided by NASDAL (National Association of Specialist Dental Accountants)

I saw it on Tik Tok!

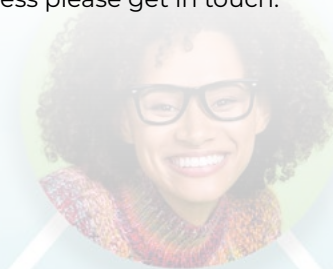
“My mate down the pub.....” used to be the sentence that would stir alarm into any professional who’d instantly be thinking about what drunken advice their client was hopefully going to query, rather than say they’d implemented. Recently there appears to be a glut of claimed advisors selling or advertising various tax planning schemes online via social media.

We can’t list them all, but one regular example is to pay much lower income tax and have a limited company that pays you dividends at basic and higher rates of 8.75% and 33.75% rather than paying income tax at 20% and 40%. It’s a neat idea but often foregoes some key considerations:-

- Limited companies are also subject to Corporation Tax from 19% to 25% on taxable profits.

- You can in some cases end up paying more overall tax/NIC by having a limited company.
- There are substantial additional annual costs in preparing and filing company accounts and tax returns.
- Company accounts are a public record and therefore your financial affairs are no longer completely private.
- There can be dry tax charges incurred when you change the structure of your business.
- If you are an associate working in an NHS practice you cannot pension income received in a limited company.

As with anything tax related it’s rarely a straight one size fits all approach and both current as well as future circumstances need to be considered. Therefore, if you want to query options for how to best structure your business please get in touch.



Buying a practice

Of course, there are all kinds of clinical considerations but I'll stick to my expertise – business and finance.

The first thing I make clear to my associate clients is buying a practice is not a get rich quick scheme! An average associate dentist earns £90,161* whilst the average mixed practice owner earns £161,266*. Often associates will see these headline figures and assume they will be £71,105 better off per annum as a practice owner. However, when you factor in the extra tax payable, loan repayments and working capital requirements you can often end up with little or no extra cash in your hand.

To be clear I'm not trying to put associate dentists off buying practices, far from it, I just think it is important that they go into the biggest transaction of their lives with their eyes wide open. An affordability calculation in the early stages can save hours of time and heartache and would always be my starting point when advising a client on a practice purchase.

Once we've established that the practice is affordable (affordability levels differ significantly from dentist to dentist depending on their personal spending requirements), I would assess the valuation and advise on whether the price is reasonable.

The next thing to consider is what you are actually buying. There are many corporate structures in the industry, so if the practice is currently trading as a limited company then you need to know whether you are buying the assets or the shares. There are significant differences to purchasing a practice under each of these methods and it is essential that you understand the implications.

Once you've established what you are buying there is your own business structure to consider. There are pros and cons to all business structures, and this is not just a tax and financial decision but consideration needs to be given to the NHS contracts and GDC regulations. Make sure that you appoint professional advisors with expert understanding of the dental industry.

Once finance is in place and your offer has been accepted you'll need a huge amount of patience! The average dental deal takes between 9-12 months and I have seen a lot take significantly longer.

The final result is well worth the hassle and there is nothing quite like being your own boss and in charge of your own destiny.

**2024 Statistics provided by NASDAL (National Association of Specialist Dental Accountants)



Heidi Marshall

Are you ready for Making Tax Digital?

In our November newsletter we gave you a heads up regarding the MTD requirements for those with sole trade income and/or landlord income of over £50K.

MTD timeline for sole trade businesses (including those with property income):

- 2026 - for those with income over £50,000
- 2027 - for those with income over £30,000
- 2028 – for those with income over £20,000

To meet MTD requirements you will need to keep digital records and provide information to HMRC through compatible software.

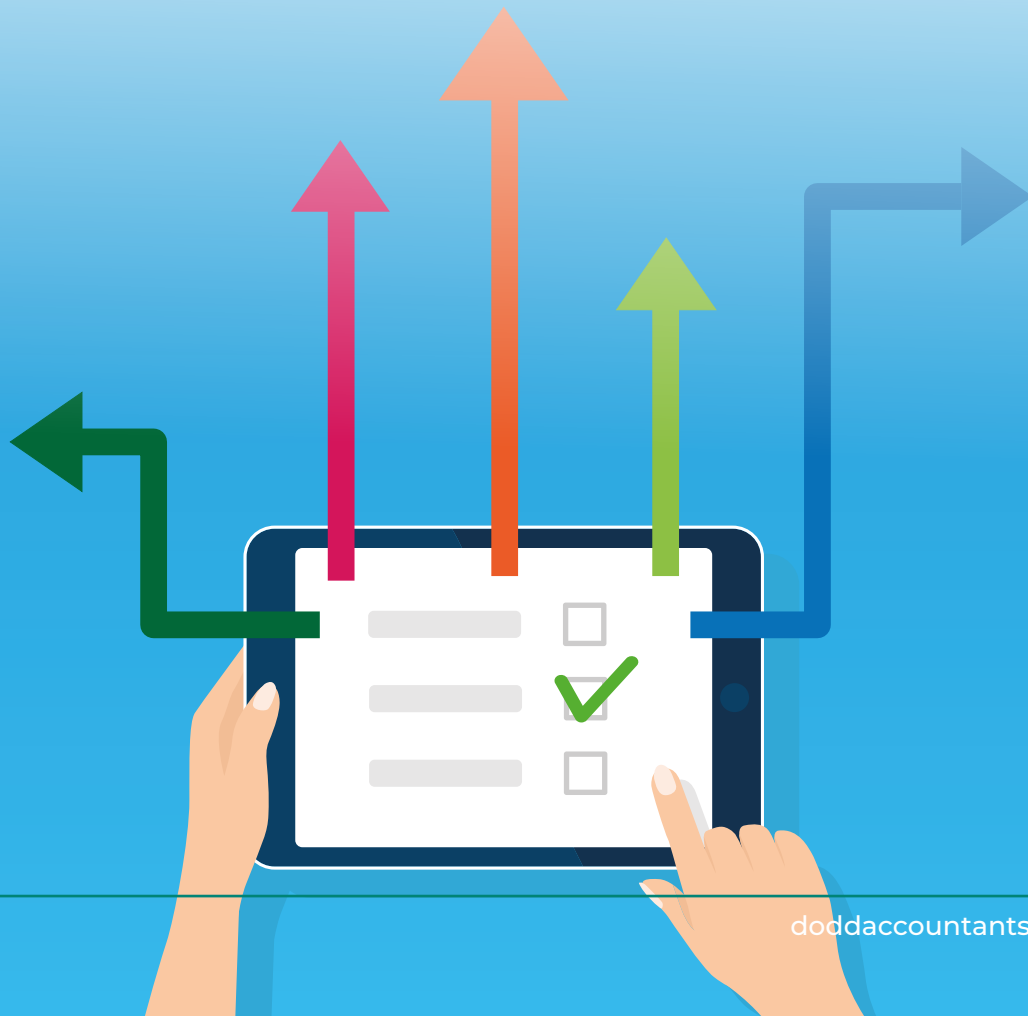
There is NO getting out of it and the majority of dental associates will have to comply.

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

We have various options, and we will be making contact with our clients very shortly.

The first job we will ask you to do is set up a designated bank account for your business if you haven't already. It would be brilliant if our clients looked into doing this now to streamline the process later down the line. Please ensure that this bank is supported by the bank feed facility on cloud accounting software, we can help if you are unsure!

If you'd like help and advice to make sure you comply with MTD please contact emma.hind@doddaccountants.co.uk.



Are training courses tax deductible?

“The best investment you ever make is in yourself” - is an often-seen phrase online and with good reason. Specialist implantologists and orthodontists can earn significantly more than those practising general dentistry. Then there's the increasing patient demand for cosmetic dentistry.

The good news is that HM Revenue and Customs has recently updated to confirm that training costs are tax deductible where;

Training costs are revenue expenditure where the intention is to update current or provide new skills or knowledge in the person's existing trade. This will usually include training to keep up to date with advances in technology and changes in practice in the person's business area.

Previously, a grey area, this update is a welcome clarification and offers an opportunity for dental practices to invest in their skills efficiently.

Please note that it doesn't allow for costs to be incurred that would enable you to start a new separate business. If the practice door needs re-hung you can't take a year long carpentry course for example.

“
The best investment you
ever make is in yourself
”

Associates - reduce your tax with deductible expenses

One of the most popular questions we receive from self employed new associate clients is – “I’ve paid for XYZ can I put it through my accounts to reduce tax?”

What are some of the key things you can claim for?



Uniform costs

Scrubs and any PPE items can be claimed. Unfortunately, shoes or trainers are classed as having a dual-purposes so cannot be claimed.



Travel and subsistence

Travel to a dentistry show, spend the night in a hotel and buy lunch while there? Keep the receipts and claim it! Unfortunately, commuting to and from a permanent place of work isn't deductible. However, there are some special rules in place for travel to temporary workplaces. If you travel to a course, the accountant, the bank etc then you can claim 45 pence per mile.



Telephone and mobile costs

HM Revenue and Customs allow some discretion in this area as most of us have a single device that has both business and personal use. At Dodds we generally put a set annual adjustment through for this. However, you may wish to estimate business use at say 30% of calls and calculate a monthly/annual business cost on that basis.



Home office costs

There are likely to be times when you do administrative tasks at home, for example compiling your accounts information, writing up your notes and doing online CPD. Your accountant can arrange to put through an annual adjustment based on HM Revenue and Customs advisory rates. Alternatively, you may wish to calculate your costs for light, heat and power and rates etc and then divide it by the number of rooms in your home to get an apportioned cost for your home office.



Professional subscriptions

There are obvious and essential ones like the GDC or CQC. However, if you also subscribe to any specialist bodies, professional journals or magazines they can also be deducted.



Indemnity insurance costs

The annual premium for your medical indemnity insurance is a business expense and counts for tax deduction.



Training

Brushing up on skills or building a new one, in say implantology, can both be claimed to provide tax relief. Some care may need to be taken where courses span several years to ensure the costs are offset correctly.



Equipment

Loupes and dental specific items will gain 100% capital allowances. Items with a mixed use like laptops you can claim based on an estimated percentage of business use.



Food and lunches

Sorry but HMRC don't allow claims for your day to day lunches and coffees outside of times when you are travelling away for courses or other business purposes.

What can't be claimed

Sadly, as associates the other workers at the practice aren't your employees so any gifts don't class as tax deductible.

Gym memberships and personal insurances for health or life cover (that's not to say they aren't beneficial to hold!). If you do need to claim on these policies the money will be received tax free.

Generally, it is not tax efficient to claim for a car and related expenses as a sole trade associate. There may be exceptions where you buy an electric car via an associate limited company.

How do you compare to the NASDAL Statistics

The National Association of Dental Accountants and Lawyers (NASDAL) recently launched their annual benchmarking statistics. The data is based on practices and associates with year ends up to 31 March 2024.

Not unexpectedly private practices have seen a drop in their profits this year. In 2022 and 2023 they saw a post covid boom which has since slowed down and they have faced ever increasing expenditure. Perhaps more surprising is the modest increase in average profits for NHS practices. That said, we understand that the level of achievement for NHS practices across England and Wales was better in 2023/24, than it was in 2022/23 and arguably those poorly performing practices have already handed back their contracts. The data also includes Scottish practices and the statement of dental remuneration saw some significant changes introduced in November 2023, which have resulted in more profitable NHS work north of the border. Nb. The Scottish specific statistics are due to be released in June.

The headline figures for the UK are as follows:

Average net profit per principal			
	NHS	Mixed	Private
Year ended March 2022	£150,894	£177,072	£178,513
Year ended March 2023	£157,907	£183,511	£175,800
Year ended March 2024	£165,871	£158,559	£161,910

Average net profit per associate		
	Fees	Profit
Year ended March 2022	£91,885	£75,488
Year ended March 2023	£98,111	£80,554
Year ended March 2024	£108,566	£90,161



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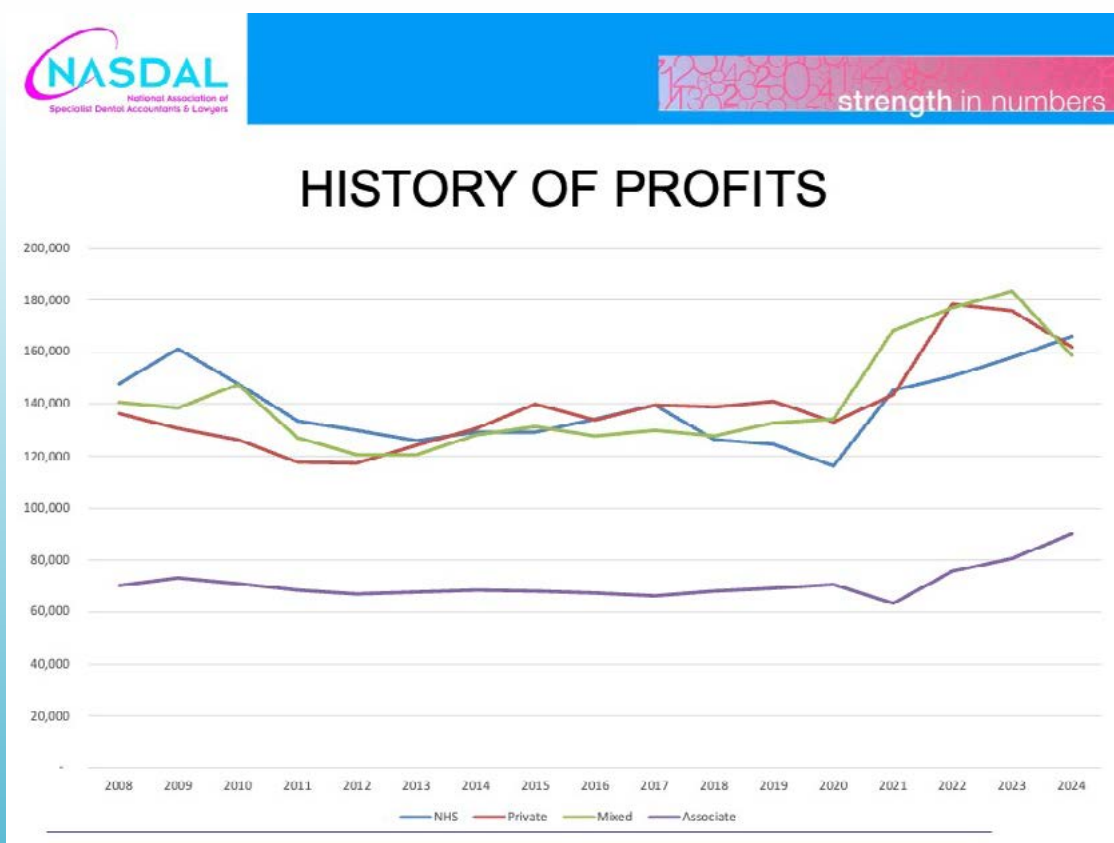
Despite the fact that associate earnings appear to have jumped over the last couple of years when you look back at the history (see graph below) they pretty much flat lined for 13 years, so the increase in profits is long overdue. The average profit for an associate in 2008 was £70,299. If you apply inflation* to this figure, then arguably they should be earning £111,296 now.

Likewise, if you apply inflation* to the principal's averages from 2008 their 2024 profits should be:

	2008 Average	CPI inflated average
NHS	£148,020	£234,343
Mixed	£140,661	£222,692
Private	£136,534	£216,158

Of course, this is not specific to the dental industry. According to The Resolution Foundation if wages had continued to grow as they were before the 2008 financial crash the average worker would make £11,000 per year more than they do now. Figures from the national office of statistics show the median gross annual earnings for full time employers were £37,430 in April 2024 so dentistry is still a very good career choice.

*CPI annual rates taken from www.ons.gov.uk





**Dodd
Accountants
Stand F72**

WE'RE EXHIBITING

Visit us at the Dentistry Show 2025 – Stand F72!

We will be at the British Dental Conference & Dentistry Show 2025. You'll find us on stand F72, if you're an existing client, colleague or a potential future client we will be happy to see you!

Putting a name to a face is always helpful, so here's our Birmingham crew this year!



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"Just married" so most of you will know me as Wood!

Heidi is also speaking in the Business Owner & Business Management Theatre over the two days as follows:-

Friday 16 May 2025, 2.45pm

Navigating the journey from associate to principal with expert accounting and tax advice

Saturday 17 May 2025, 12.45pm

What's New in Tax? Key Updates and What They Mean for You

Her talks are always well attended, so make sure you get there and grab a seat!

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