DENTAL ISSUE SPRING 2024

in the know

All the latest news & updates

Optimising Pension Contributions

Selling your practice

Spring budget

Meet the team

dodd&co

Chartered Accountants, Business & Financial Advisers

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Welcome to our spring edition

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Here we are in March and the team are excited to be heading to London for the BDIA Dental Showcase. It's a pleasure to exhibit here and this will be our 16th year. It is always a great atmosphere and lovely to meet up with our contacts and clients existing and new! If you are at the show please pop along to stand G29 and say Hello. I will also be speaking at the business theatre on both Friday and Saturday and its always nice to have some friendly faces in the audience.

I'll be heading to London a day earlier than the rest of the team for the annual NASDAL statistics press conference. I'm afraid we had to go to print with this newsletter before the release of the data but we will be running through them with you at our practice meetings as usual. If you're interested in seeing them sooner, please get in touch.

There was high expectations for the Spring Budget 2024 but unfortunately, it didn't quite live up to them. Potentially, the pre-election budget later in the year will be a little more juicy! We have highlighted the areas that may be of interest to you on pages 8 and 9.

Our sister company, Dodd Wealthcare, have written an interesting article on optimising your pension contributions on pages 4 and 5, which is something we regularly get asked about. We are really lucky to have a team of independent financial advisers that understand the complexities and requirements of the healthcare industry.

Our meet the team for this edition is Jack Oakley. Jack is a senior accountant at Dodd & Co and has a lot of experience working with our dental practices and dental associates.

We hope you enjoy this edition, if you have any questions, or I can help in any way – please get in touch.

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Contents

Selling your practice

Have you ever sold a house? Remember how stressful it was? Warning: your practice sale is going to be much worse!!

There are some similarities (valuations, viewings, negotiations) but a practice sale is much more complicated, involves a lot more work and usually needs to be done in secret.

This latter point is important because a sale is a big change not just for you but for the whole team. It's therefore important that you take your time to get the comms right and delivered at the right time. You don't want to sell the idea of a positive change and a fabulous new boss and then have to unsell the idea if for some reason it doesn't go ahead.

Before you go down the sale route you need to ensure that everything is up to date. Any buyer worth their salt will want up to date financial information, so get your accounts done ASAP after the year end. Better still have some form of accounting software within the practice so you can provide monthly management information at the press of a button. In my opinion, business owners should be doing this even if they are not selling.

It's not just the finances but all other administrative tasks too. Check your contracts, health and safety policies and testing, title deeds of property etc to ensure everything is up to date and in the correct name. Title deeds on properties is always a good one to check, particularly where there has been changes within a partnership. This is all information that will be needed as part of the due diligence process.

If you trade through a limited company, you will need to decide on whether you are selling the shares, or whether the company is selling the assets. There will be different tax consequences depending on what is sold, so it's vital that tax advice is sought prior to the practice going on the market.

I recommend that you let your professional advisors know well in advance. For accountants I'm talking years not months. That way we can help you with tax planning (some structural changes need to be in place for 12-24 months to take advantage of the tax benefits) so the more notice you can give the better.

It will also help to have your solicitors appointed in advance so they can move quickly when you receive an offer. They can also provide you with a standard due diligence questionnaire so you can start pulling together what you need in advance of finding a buyer.

Be honest if something has changed dramatically, like if sales have dropped since the last set of accounts. This will come out as part of the due diligence process anyway and it is much better to be upfront and know the outcome sooner, than run up lots of professional fees only for a buyer to walk away/reduce the price much later in the process.

Once you have found a buyer do not take your foot off the pedal. The due diligence process can take months and if something does go wrong (I've seen deals fall through for all kinds of reasons which is a whole different article!) then you don't want to have to explain the significant drop in turnover and profits to the next potential new buyer.

Likewise, once you have found a buyer and accepted an offer don't make any big decisions without discussing them with the buyer first. Handing back NHS contracts, awarding large pay rises for staff for example are things the buyer will then have to contend with after you've left the practice. Unless you have to make dramatic change it's best to keep the status quo while the DD is on-going and let the new owner make decisions about the future of the practice.

Finally, be patient. It takes a lot of time and effort to sell a practice so try to relax and embrace the process....

Contact Heidi Marshall for help and advice on selling your practice (well in advance!).

Optimising pension contributions

A comparison between Ltd Company and Sole Trader Status

In the realm of financial planning, one crucial aspect for professionals (especially dentists) is making strategic decisions about pension contributions. Whether operating as a limited (Ltd) company or a sole trader, understanding the nuances of each approach can significantly impact long-term financial security. In this article, we'll explore the difference between making pension contributions from a Ltd company versus sole trader status.

Understanding Pension Contributions

Pension contributions serve as a cornerstone of retirement planning, providing individuals with a means to build a substantial nest egg for their later years. For dentists, who often have fluctuating incomes and unique tax considerations, optimising pension contributions is paramount to ensure financial stability in retirement.

Pension Contributions via Ltd Company

One significant benefit is the ability to make contributions directly from the company's profits. This means that pension contributions are treated as a business expense, reducing the company's taxable profits and lowering its overall tax liability.

In theory, an employer or company can pay any amount (within annual allowance limits, currently £60,000 per year, see below) of pension contribution to a registered pension scheme in respect of one of their employees/directors, regardless of their salary.

For tax relief to be given on company or employer contributions, they need to be deducted as an expense in calculating the profits of a trade, profession or investment business. They should be included in the company's profit and loss account and will subsequently result in the company's profit being reduced.

In the case of a trade or profession, the contributions will be deductible as an expense provided they are incurred wholly and exclusively for the purposes of the company's trade or profession.

Corporation tax would then be saved on the contribution and in addition there would be no personal tax either, as pension contributions are a tax free benefit to employees/directors.

It's worth bearing in mind that company/employer contributions count towards the annual allowance, money purchase annual allowance and tapered annual allowance.

Pension Contributions as a Sole Trader or in a Partnership

Dentists operating as sole traders/partnerships have a different set of considerations when making pension contributions. Unlike Ltd companies, sole traders cannot make contributions directly from their business profits.

Instead, pension contributions are paid net of basic rate tax with the pension provider claiming a 20% top up from the government. For example, a personal pension contribution of £10,000 gross would only cost £8,000 net as the pension provider would claim the £2,000 top up from the government.

If the individual is a higher rate taxpayer, further tax relief can be claimed on their tax return at the end of the year. The £10,000 gross contribution in the above example would extend the basic rate (20%) tax band and result in more income being taxed at 20% rather than 40%, thereby potentially saving a further £2,000 in personal tax.

What is the annual allowance?

The annual allowance is the maximum amount of pension savings an individual can make each year without an annual allowance charge applying. This includes pension contributions made by the individual, their employer, a company or a 3rd party.

Annual allowance is based on pension input periods which are aligned with tax years. Annual allowance for 2023/2024 is £60,000 and any contributions over the annual allowance available attract a tax charge.

A reduced annual allowance could apply if the money purchase annual allowance (MPAA) or tapered annual allowance has been triggered. This reduced allowance can be as low as £10,000.

Individuals are subject to a tax charge on the amount of any contribution paid (personally, by their employer or a 3rd party) in excess of the annual allowance each year. The tax charge will be at the individual's marginal rate of tax and is designed to claw back tax relief to "cap" the amount of tax relief being claimed. This also applies to the value of any benefit increase under a defined benefit or cash balance scheme over the annual allowance (e.g. benefit accrual within the NHS pension scheme, which is relevant for annual allowance purposes, rather than actual contributions). If an annual allowance charge is due this will usually be dealt with through the individual's tax return.

Tapered annual allowance

In broad terms, individuals who have "threshold income" (essentially taxable income, less pension contributions) for a tax year of greater than £200,000 may be subject to a tapered (reduced) annual allowance for that tax year. To be affected, the individual's "adjusted income" (essentially threshold income above but before their pension contributions have been deducted) must be over £260,000. If affected, the annual allowance will be reduced, so that for every £2 of income they have over £260,000, their annual allowance is reduced by £1.

The maximum reduction is £50,000, so anyone with income of £360,000 or more will have a fully tapered annual allowance of £10,000. Individuals with high income caught by the restriction may therefore have to reduce the contributions paid by them and/or their employers or suffer an annual allowance charge.

Looking Ahead

Regardless of funding option, the ultimate goal remains the same: to secure a comfortable and financially stable retirement. By aligning pension contributions with long-term objectives, making pension contributions can take proactive steps towards achieving financial goals and enjoying a rewarding retirement.

For financial planning advice contact Phil Jackson at Dodd Wealthcare phil@doddwealthcare.co.uk or 01768 864466.

Dodd Wealthcare is a trading style of DW 2020 Limited is authorised and regulated by the Financial Conduct Authority FRN 921450

Please note that tax rules change regularly, and the actual tax benefits you receive will depend on your individual circumstances. As always with investments, your capital is at risk. The value of your investment can go down as well as up, and you may get back less than you invest.

NHS pensions - McCloud update

As you may know, members of the NHS pension scheme were transitioned into the new 2015 pension scheme from April 2015. With older members being transitioned later, and some members already nearing retirement being exempt completely from the new scheme. The main difference between the previous 1995 pension scheme and the new 2015 pension scheme is the normal retirement date, which is age 60 for the 1995 pension and linked to state pension age for the 2015 scheme.

The McCloud case was based on age discrimination and the government are now remedying this by reverting all members back into the 1995 pension scheme, for the seven-year "remedy period" of April 2015 to March 2022. All members will then join the 2015 pension scheme from April 2022, regardless of age.

Rollback of the NHS Pension for those affected by McCloud happened on 1 October 2023 and all service should now be in the 1995 scheme for those affected.

Members will receive a remedial service statement by April 2025, which will show two sets of figures (one with the remedy period included in the 1995 scheme and one with the remedy period included in the 2015 scheme), and these will continue to be updated each year and form part of the annual benefit statement.

For those who are retiring from April 2024, a remedial service statement will be provided as part of the retirement application process. It will take time to contact everyone and NHS Pensions will be starting with those who have retired on ill health grounds since October 2023. They will be followed by those who have retired based on their age and this will be done in stages, with the majority of members having been contacted by April 2025.

HMRC has recently introduced a new reporting system to declare 2022/23 annual allowance tax charges (for those affected by McCloud), so this tax will now be due on 31 January 2025. This system will also be used to apply for refunds of overpaid annual allowance tax between 2015/16 and 2021/22 and to pay over underpaid charges for 2019/20 to 2021/22. A remediable pension savings statement will be needed for this process and NHS Pensions will be providing these by October 2024. We will be checking these for our clients so please forward us a copy as/when you receive this statement.

The Total Reward Statement portal has been replaced by My NHS Pension and pension estimates can be accessed by logging onto the site.

SPPA will not be providing pension estimates and their remedial service statements will be issued by 31 August 2024. Those who are retiring between 1 October 2023 and 31 August 2024 will receive a remedial service statement as part of the application process.

> "The McCloud case was based on age discrimination and the government are now remedying this by reverting all members back into the 1995 pension scheme"

Buying an electric car through a limited company

Any fully electric / zero emission car will qualify for 100% tax relief (first year allowance) providing that it is **brand new** and **purchased** (not leased). In terms of a car being "purchased" for this purpose this can be done outright with cash, or on HP. With PCP (i.e. a balloon payment at the end of the term), the agreement would need to be reviewed, as some of these can be treated as leases for tax purposes (see further details below for the implications).

As this would be classed as a company car, the employee (director) would have to pay tax on a benefit in kind for personal use of the car, but this is at an incredibly attractive low rate. This benefit in kind is calculated on just 2% of the list price (2023/24 – 2%, 2024/25 – 2% rising to 3% in 2025/26). This benefit in kind would be included on the employees personal tax return and taxed along with their other income.

The company would also pay Class 1A national insurance on this benefit in kind at 13.8%.

As the car would be owned by the company, any repair costs, servicing, insurance etc can all be paid for by the company, obtaining corporation tax relief.

Car charging –

- Electric charging points also attract 100% tax relief (first year allowance).
- The company can cover the cost of charging the car (you can reimburse yourself from the company at 9p per mile if the car is charged at your home using your own electric).
- Public charging point costs can also be paid for by the company.

Here is an example based on the company purchasing an £80,000 electric car on hire purchase with a £1,600 benefit in kind:

One off corporation tax savings of between £15,200 and £21,200 depending on your profits.

Company to pay – Annual Class 1A national insurance charge of £220.80.

Employee to pay – Annual Benefit in kind personal tax charge of £640 for a higher rate taxpayer.

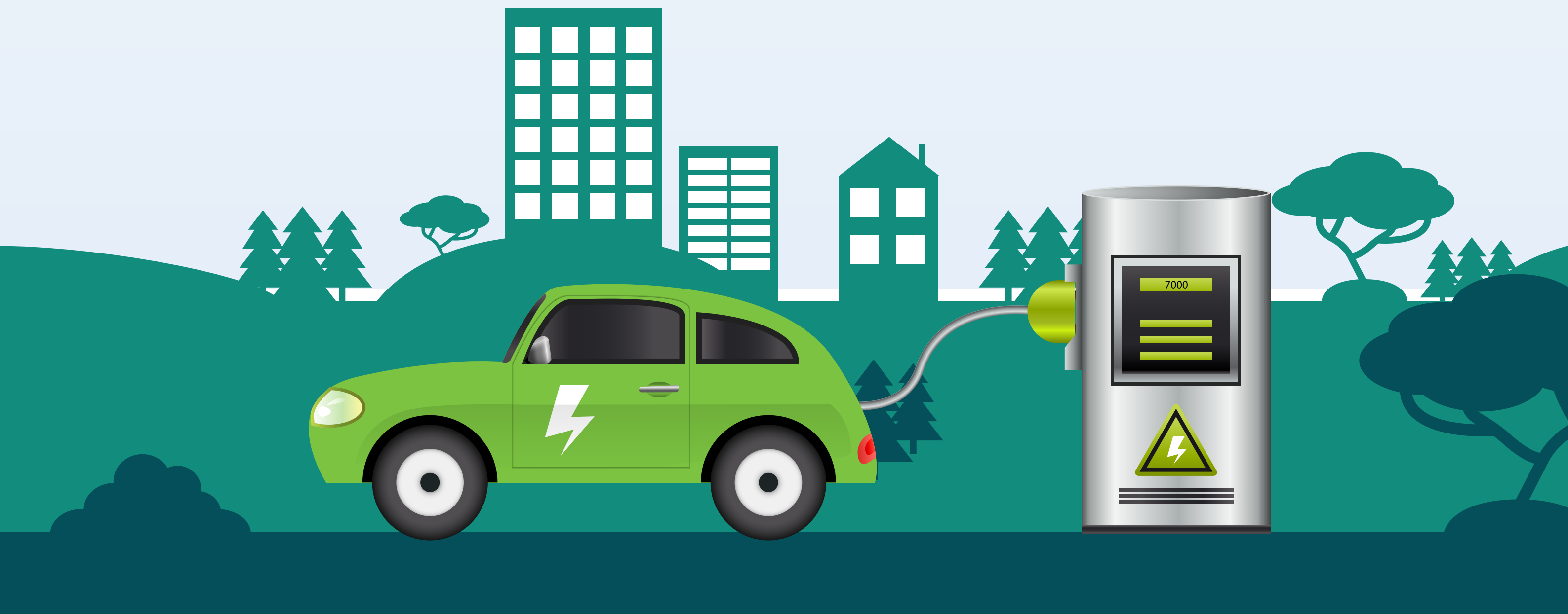
The final tax saving is that of dividend tax. If the car was bought personally, you would essentially have to take another £80,000 out of the company over a duration of the hire purchase to pay for this. You would be taxed on this £80,000 at a rate of 33.75% (assuming higher rate dividend tax band).

There is however something very important to keep in mind. As/when the car is sold, the company will pay corporation tax on the sale proceeds, so in effect some of the up front tax relief you have had will be clawed back. Overall, the company will essentially be entitled to tax relief on the net cost over the life of the vehicle.

If you were to lease the vehicle, the same low benefit in kind charges apply as above, it is just the timing of the tax relief that is available to the company that is different. Instead of an up front tax benefit, the company would obtain tax relief on the monthly lease payments over the term of the lease, so the tax relief is spread over several years. Again, overall the company would be entitled to tax relief on the net cost over the life of the vehicle.

Buying an electric car through your limited company can therefore be an incredibly tax efficient way of using funds within the company.

Contact us to discuss your purchase, before you purchase!



Spring Budget

Jeremy Hunt's second (and possibly last!) Spring Budget, delivered on the 6 March, was described by the Chancellor as a "Budget for Long Term Growth".

Whilst the Chancellor announced several changes to deliver this objective (some of which we have included here) this budget was, as expected, largely politically driven with the forthcoming general election very much in mind.

National Insurance Contributions (NIC)

As recently as January 2024, the main rate of class 1 NIC paid by employees was reduced from 12% to 10%, along with a corresponding drop in the main rate of class 4 NIC paid by the self-employed from 9% to 8%.

The Spring budget announced that both the main rates of class 1 NIC and class 4 NIC would be cut by a further 2% each from April 2024. The main rate of class 1 NIC will therefore drop from 10% to 8% and the main rate of class 4 NIC will drop from 8% to 6%.

As a reminder, the main rate of both class 1 and class 4 NIC is payable on earnings/profits between £12,570 and £50,270, with a lower 2% charge on anything over £50,270.

High Income Child Benefit Charge

The "high income child benefit charge" (HICBC) is an unpopular tax charge, designed to claw back child benefit received from "high earners".

The higher earner in a household can be subject to the HICBC if their income exceeds £50,000 and their household is in receipt of child benefit.

Between £50,000 and £60,000 of income, the charge is gradually clawed back. So at say £55,000 of income you are liable to repay 50% of your child benefit and by the time you hit £60,000 of income you are liable to repay 100% of your child benefit.

The charge is arguably unfair, as it looks solely at the income of the higher earner in the household, so if that person has income of say £60,000 and the lower earner has no income (ie. £60,000 total household income) then 100% of the child benefit must be repaid. Contrast this to a household where both people earn £50,000 each (ie. £100,000 total household income) and 0% of the child benefit must be repaid.

The government have announced that they are addressing this issue by introducing a "household based system" from April 2026 and will consult on this in due course.

In the mean time from April 2024, they have announced that the £50,000 to £60,000 band will be increased so that the child benefit charge is clawed back from £60,000 to £80,000 instead.

Not only is the starting point increased, but the band itself is doubled which results in a more gradual claw back and reduction to the marginal tax rate levied which is a welcome change.

Furnished Holiday Lets

It was announced that the FHL regime would be scrapped entirely from April 2025, meaning all let properties would be treated the same whether they are long term lets or short term "holiday let" type properties.

The various tax advantages which will be removed from April 2025 are as follows:

FHL properties are currently entitled to full tax relief on mortgage interest, whereas long term lets are only entitled to a 20% tax credit on mortgage interest.

The current rules for allocating FHL profits/losses between property owners are generally more flexible than those on long term let properties.

More favourable tax relief available on property furniture/contents by way of capital allowances on FHL properties

CGT Holdover Relief (meaning capital gains arising on a gift can be deferred).

Business Asset Disposal Relief (meaning gains realised on sale can be taxed at 10%).

CGT Rollover Relief (meaning that gains arising on sale can be deferred by reinvesting into other business assets (and conversely FHLs will no longer be a qualifying asset for the purposes of reinvesting funds realised on sales of other business assets).

Stamp Duty Land Tax

The Government had previously consulted in relation to mixed property transactions (where a purchase comprises both residential and non-residential property), and Multiple Dwellings Relief (MDR), which is a relief which can apply where a property comprises two or more dwellings.

The Chancellor announced that legislation will be introduced to abolish MDR with effect from 1 June 2024. This does mean that there is a 'window of opportunity' of just under 3 months whereby those who exchange contracts and complete purchases comprising multiple dwellings before 1 June will still be able to qualify for relief.

On a more positive note, the Government had confirmed that it will not take forward any changes to the rules relating to mixed property transactions. This means that the (typically lower) non-residential rates of SDLT will continue to apply to transactions which comprise both residential and non-residential property.

Read our full budget commentary at
www.doddaccountants.co.uk/news/spring-budget-2024

To opt in to receive future business updates sign up via our website.

Location, location, location

We are fortunate to have clients on both side of the border. However, despite some of our dental clients living only a few miles apart, there are notable differences in the way they work and pay their taxes. Since the 1997 devolution referendum and establishment of the Scottish Parliament in 1999, there have been some key changes between living on different sides of the border.

So, what are the differences for any dentists who may be considering practising in England or Scotland? Is there a way to get the best of both worlds?

	England	Scotland
Dental associate average income 2021/22 [1]	£77,900	£76,400
Healthcare costs	Prescriptions £9.65 per item unless exempt	No prescription charges
Education costs	Tuition fees up to £9,250 per year	No fees for those studying full time at a Scottish university or college
Property and cost of living [2]	If comparing the two nations capitals, then Edinburgh is significantly cheaper for both property and cost of living. City centre apartments are some 62% less per square foot on average.	
Remote area allowance / golden hellos	Plans for a NHS £20,000 golden hello scheme for up to 240 dentists payments phased over three years.	Certain areas qualify for a £9,000 per year allowance. Payment is based on proportion of NHS to total earnings.
NHS income	Practices hold an overall contract with a specified UDA target. There are clawbacks made for failure to meet targeted UDA figures. The amount of UDA's for treatment varies with bands for types of work performed e.g. root canal 3 UDA's.	Dentists hold individual lists and are paid an item of service. The fee per an item varies depending on the type of work carried out.
Practice fee retention	While the way practices receive income from the NHS differs the method used to apportion the amount paid to associates is very similar. Predominately, practices on both sides of the border retain between 50% to 55% of income when calculating monthly pay.	
Taxation	Three tax bands as detailed below with a tax free personal allowance of £12,570. This allowance is reduced by £1 for every £2 earned above £100,000.	Six tax bands as detailed below with a tax free personal allowance of £12,570. This allowance is reduced by £1 for every £2 earned above £100,000.

UK Excluding Scotland Income Tax Bands		2023/24 £
Basic rate	20%	12,570 - 50,270
Higher rate	40%	50,270 - 125,140
Additional rate	45%	above 125,140

SCOTLAND Income Tax Bands		2023/24 £ Taxable Income
Starter rate	19%	12,570 - 14,732
Basic rate	20%	14,732 - 25,688
Intermediate rate	21%	25,688 - 43,662
Higher rate	42%	43,662 - 125,140
Top rate	47%	above 125,140

For dentists with incomes between £70k to £80k per annum, there is additional tax payable of approximately £2k per year for those who live in Scotland with the bulk of this being attributed to the point at which higher rate tax kicks in, which is around £43k in Scotland vs around £50k for the rest of the UK.

Based in Cumbria, our accountancy practice is very close to the border of Scotland and we have seen clients bearing these income tax bandings in mind when considering where to live, as there is potential to live in England and work in Scotland in order to pay at English taxation rates. Obviously, there are travel and other considerations to make when weighing up this as an option.

How much further the two nations will diverge in future and whether benefits like free prescriptions are sustainable is an unknown. What is certain is that there will be a great demand for dental professionals on both sides of the border and there are some great lifestyle choices available.

Should you want more detailed information or assistance with the preparation of your dental associate accounts and tax return please contact us. We are always keen to assist with longer term plans for those who may wish to buy or setup a practice of their own and have contacts with lenders on both sides of the border!

[1] https://digital.nhs.uk/data-and-information/publications/statistical/dental-earnings-and-expenses-estimates/2021-22

[2] https://www.numbeo.com/cost-of-living/compare_cities.jsp?country1=United+Kingdom&country2=United+Kingdom&city1=London&city2=Edinburgh&tracking=getDispatchComparison

Companies House reforms

Transparency reforms are being introduced at Companies House as part of the second Economic Crime Bill which received Royal Assent in October 2023. These reforms will have radical implications in terms of the administration of companies and other corporate bodies in the UK, being designed to improve the quality and value of financial information on the register.

The various measures will be phased in at different times, however Companies House have announced that they are aiming to introduce the first set of changes on 4 March 2024. The first changes include:

- Greater powers to query and challenge information that appears to be incorrect or inconsistent with the information Companies House holds.
- Stronger checks on company names which may give a false or misleading impression to the public.
- All companies must have an appropriate address as their registered office at all times, namely companies will no longer be able to use a PO Box as a registered office from 4 March.
- A requirement for all companies/LLPs to supply a registered email address to Companies House via their next annual confirmation statement, with a duty to maintain this in the same way as a registered office. Where Dodd & Co file confirmation statements on behalf of clients, the default position is that we will enter our own internal email address with any relevant correspondence subsequently forwarded on. If you prepare and submit your own annual confirmation statement you will be required to enter an email address the next time this is due for completion. Email addresses will not be published on the public register.
- A requirement to confirm that intended future activities will be lawful via the annual confirmation statement.
- The ability to annotate the register to let users know about potential issues with information supplied.
- Taking steps to clean up the register, using data matching to identify and remove inaccurate information.
- New powers to share data with other government departments and law enforcement agencies.

We await further timelines on the implementation of other significant reform areas, including mandatory identify verification and removal of the profit and loss filing exemption in small and micro sized accounts, with certain matters requiring secondary legislation, systems implementation and further guidance. We will of course keep you up to date as and when there are any further developments.

As part of this Companies House fees will also be increasing (quite substantially!) from 1 May. Please see further details of the increases here https://changestoukcompanylaw.campaign.gov.uk/changes-to-companies-house-fees

Meet the team

What did you do before you started at Dodds?

I joined Dodds from university after studying Business Management and specialising in finance in my final year. This lead to an interest in accountancy and I'm now a qualified chartered accountant, specialising in dentistry.

What's a typical workday like?

My working day varies a lot which is something I really enjoy. The work varies from drafting/reviewing company and complex partnership accounts, training clients on cloud accounting software, profit forecasting, advising clients on ad-hoc matters such as fund extraction and dividend planning.

What's the question client's ask you most?

Clients often ask me how to account for specific items within their cloud accounting software. Identifying whether to capitalise expenditure within the balance sheet or not is a common query.

What's the best part of your job?

I work with some great people, we all help each other out, and we can have a laugh from time to time. Thanks to a good social diary outside of work, that really helps us work as a team.

And the worst?

Timesheets – the necessary evil of working in practice accounting!

Do you have a top tip for clients?

Involve your accountant in your decision-making process – no matter how small the issue may be perceived. We are a friendly bunch who are always happy to help so don't be afraid to pick up the phone!

What's life like outside of work?

I am keen on my fitness whether that's running, biking or even swimming (which I have taken up again recently). I also like to get out hiking in the Lake District on my weekends with it being right on my doorstep. I'm aiming to box off all the 214 Wainwrights within the next couple of years – currently on 110.

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