

UNW's Dental Business Unit

Dental Bulletin

UNW's regular update on topics of financial interest to all dentists



NASDAL Goodwill Survey – prices hold up

November saw the latest results published from the NASDAL (National Association of Specialist Dental Accountants and Lawyers) Goodwill Survey statistics. In a normal world, these statistics are produced on a quarterly basis – however, 2020 has proved to be far from normal – hence six months delay since the last publication.

This survey covers the period from 1st April to 30th September 2020 and is based on deals done (i.e. practices bought or sold by NASDAL members' clients in the period).

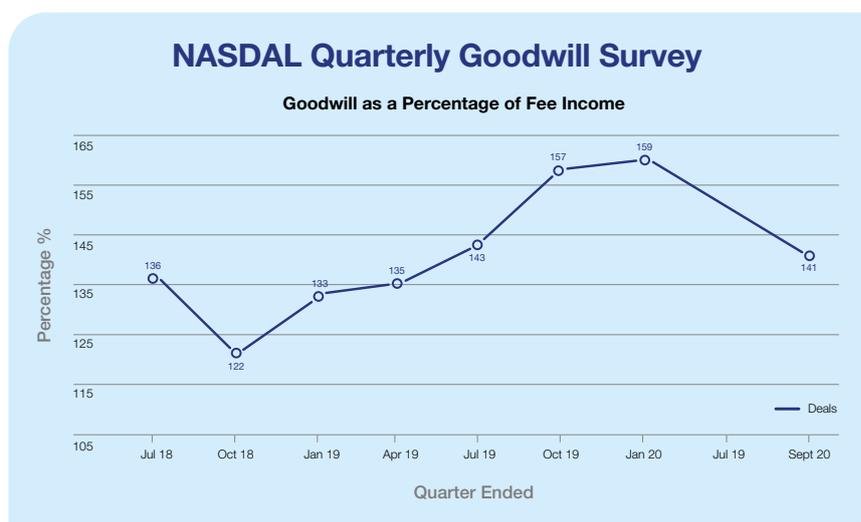
As the graph illustrates, goodwill prices have held up very well. Goodwill as a percentage of fee income in the period across all types of practice averaged 141% of gross fees – only down from 159% from the quarter to January 2020 – the last pre-Covid quarter.

And, the level of deal activity is very much higher than many expected.

NHS Goodwill values were higher when compared to the previous quarter with 191% of gross fees across the six months to 166% of gross fees last time. Private goodwill values fell back to 114% of gross fees from 143% of gross last time. The big fallers were mixed practices – falling from 188% of gross fees in the quarter ending January 2020 to just 110% of gross fees this time.

What does this mean?

Alan Suggett, specialist dental accountant and partner in UNW LLP who compiles the goodwill survey, said, "I have to say that both the level of deal activity and the pricing levels have surprised me. I was expecting to see a big drop in the number of



practice sales coupled with a sharp fall in prices. In NASDAL members' experience, there have been only limited price reductions and the corporates haven't used Covid as an opportunity to negotiate lower deal values. It certainly does show that the UK dental practice sales market is not the nightmare that some commentators have suggested!

"We do know that many lenders are coming up with an increasing array of hoops for borrowers to go through – which puts cash buyers in a stronger position.

"We decided not to include valuations during this six month period as the amount of data was lower than usual, and valuations

are invariably subjective, which is unhelpful during this period of uncertainty.

The goodwill figures are collated from accountant and lawyer members of NASDAL in order to give a useful guide to the practice sales market. These figures relate to the six months ending 30th September 2020.

NASDAL reminds all that as with any averages, these statistics should be treated as a guideline only.

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Capital Gains Tax – is change afoot?



UNW Tax Partner Charles Linaker speculates on possible changes to Capital Gains Tax in next year's Budget.

At the last General Election, the Conservatives pledged not to raise any of the three main taxes - Income Tax, VAT or NIC - over the next five years if they were returned to power. That pledge was, of course, made before this year's pandemic and its damaging consequences not only for the health of the British public but also for the health of the British economy.

On the assumption (which could prove misplaced) that the Prime Minister insists on sticking with this triple lock commitment, speculation has turned inevitably towards other taxes which his next door neighbour,

Chancellor Rishi Sunak, might target, when it comes to delivering next year's Budget, scheduled for some time in March 2021.

An obvious candidate for attention would seem to be Capital Gains Tax ("CGT") and, in recent weeks, the review of CGT – subtitled "Simplifying by design" – by the Office of Tax Simplification ("OTS") has floated the idea that the Government might consider more closely aligning CGT rates with Income Tax rates, remarking that such a move has "the potential to raise a substantial amount for the Exchequer."

CGT currently contributes in excess of £8 billion in tax annually, but crucially from less than 1% of the total tax paying population. So, not too many voters for Government back benchers to worry about and not too much sympathy from most taxpayers who will never pay CGT from one year to the next.

However, many dentists do pay CGT, typically when they sell their practices, but also if they sell property or investments. In his first ever Budget, on 11 March 2020, the Chancellor dramatically slashed the level of Capital Gains eligible for the Entrepreneurs' Relief 10% rate from £10 million to only £1 million; and this has already had an effect on the CGT which dentists can now expect to pay on a practice sale, adding

an extra £100k in CGT for every £1 million of Gains above the new greatly reduced limit.

Because this is such a recent change, I am sceptical that the Chancellor will make any further amendments next March to Entrepreneurs' Relief, which incidentally he renamed Business Asset Disposal Relief or "BADR" for short. So, I think that the 10% rate is safe, at least for now.

What he may look at, though, is an increase of the CGT rate applicable more generally for Gains above the £1 million BADR limit and on other assets such as commercial property and investments.

After all, as recently as the beginning of 2016, the top rate of CGT across the board was 28% and it was only in what proved to be George Osborne's last ever Budget, marking the end of austerity, that the 28% rate was reduced to 20% for, more or less, all Capital Gains – with the exception of sales of residential property (typically buy to lets and second homes), where the rate was kept at 28%.

It would seem a relatively easy step for the Chancellor to reintroduce the 28% rate for all Capital Gains on the grounds that he was "levelling up" CGT at a time when those with the broadest shoulders should expect to

bear the greatest burden, etc. etc. Backbench opposition to such a move would be muted and Labour is hardly likely to raise objections.

“ Another measure which might find favour with the Chancellor next March could be to bring forward the CGT payment date for sales of businesses and sales of commercial property to 30 days from sale.

Such a change could be announced as taking effect from as early as midnight on Budget Day (there is a precedent for this as recent as 2010, again under Osborne), but I think is more likely to take effect from the start of the new tax year on 6 April 2021.

Another measure which might find favour with the Chancellor next March could be to bring forward the CGT payment date for sales of businesses and sales of commercial property (sales of investments could be trickier) to 30 days from sale; and so build on the measure which he introduced in March of this year for the payment of CGT on sales of

residential property (i.e. buy to lets, second homes, etc.) which took effect from 6 April 2020.

Such a step would accelerate considerably when the Exchequer would get its CGT compared to the current system under Self-Assessment. At present, if a practice sale was made on, say, 30 September 2020, the seller is not due to pay any CGT before 31 January 2022, i.e.

10 months after the tax year ending 5 April 2021 – and almost a year and a half after the sale.

Introducing the 30 day payment rule for CGT on practice sales would mean that the money would hardly have hit the seller's bank account before the CGT element would be winging its way to HMRC and a grateful Chancellor!

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Join us for our final virtual Dental expert panel event of the year...

In August 2020 we launched a new series of monthly webinars, with the aim of providing dentists with well-rounded insight, covering everything from financials, legal, and practice sales and valuation news.



Our next session in this series will be held on Wednesday 16th December at 7pm.

For further information, or if you would like to sign-up for this webinar, please register at the following link:

<https://unw-zoom.link/dental-session-5>

Watch the North East Dental Conference 2020

Sintons' Healthcare Team, in conjunction with UNW, Perspective (North East) and Parklane Plowden Chambers, recently held their annual complimentary educational conference for dentists.

The conference, which has become a staple in the calendar of dental professionals from the region and beyond, covered various 'hot' topics, with the aim of helping you to understand how to best manage opportunities and risks for your practice and personal finances.

UNW Dental partner Alan Suggett got the session under way, covering various topics including; practice profit and value trends, a review of sector lending, general Covid-19 related issues, and the abolition of Entrepreneurs Relief.

You can watch the Dental Conference 2020 online here:

<https://player.vimeo.com/video/478503829>

Follow Alan on Twitter:



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Any questions?

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