



Winter 2023/24

Dental Bulletin

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

NASDAL Goodwill Survey

Goodwill on the slide?

Reflections on the 2023 Autumn Statement

by UNW tax partner
Charles Linaker

Meet the team: Alfie Wright

Senior Dental
Accountant



Specialist dental accountants & advisers

UNW Dental is a leading national advisory team that acts for over 500 dentists across the UK.

Led by Mike Blenkarn, our dental team has a wealth of experience in NHS contracts, net pensionable earnings, tax affairs, exit strategies, and retirement planning. Our clients benefit from access to UNW's Tax experts and the expertise of former partner Alan Suggett, now operating in a consultancy role for the firm.

How can we help?

- Dental practice accounting and tax compliance
- Strategic planning
- Preparation of Associate dentist accounts and tax returns
- Structuring your practice
- Buying and selling practices
- Refinancing
- Maximising practice profitability
- Payroll
- Making Tax Digital (MTD) software training and support
- NHS pension scheme (NHSPS)

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Welcome to our new dental bulletin.



2023 has proven to be a year of change for dentists (although, that could be said for the previous few years too!). Challenges have arisen in the form of associate self-employment status, the McCloud judgement, and all other things pension-related – this bulletin includes an article on the NHS pension scheme. Previous bulletins and UNW articles have covered the associate self-employment status in depth and our Employment Taxes team are only a call away if you have any specific questions.

The recent Autumn Statement announcement is analysed by Charles Linaker – as ever the devil is in the detail in respect of the planned changes – some of the most critical elements did not form part of Jeremy Hunt's speech. Turn to page 6 to find out more.

It's been a challenging (and quiet) year in respect of practice purchase/sale transactions. Increasing interest rates, rising costs and higher-than-ever wage rates have resulted in the viability of practice purchases becoming more and more difficult. This has naturally meant a steady decline in values over the year – see my article on the most recent NASDAL goodwill survey. Acquiring a practice can still be a sound investment, and there are some fantastic opportunities out there, but we are now seeing more focus on the margins, as discussed in the Practice Plan/Medenta article with Paul Graham from Christie & Co.

We're excited to formally announce a bespoke bookkeeping and management accounting service to dentists. The primary focus is to provide dental practice owners with up-to-date, live figures of their financial performance. The benefits are numerous, but one example is that it allows practice owners to plan equipment purchases/pension contributions to manage tax bills. An added benefit is that it will ensure your business is compliant with HMRC's 'Making Tax Digital' changes which are coming in from April 2026.

I don't want associates to feel left out and therefore we have an article on becoming self-employed. This is aimed at newly qualified dentists, but others may find it useful too. If you're a practice owner who engages with associates (or has foundation dentists), please feel free to pass a copy on to them.

Lastly, we're starting a new series within the bulletin: 'Meet the Team'. I'm conscious that as the team grows, it is important for clients and contacts to put a 'face to the name' of team members and find out more about them. One of our senior accountants, Alfie, offered (read: was persuaded!) to be the first one.

To finish off, as the festive season is fast approaching, I'd like to wish you all a Merry Christmas and all the best for 2024.

Mike Blenkarn
Head of Dental at UNW



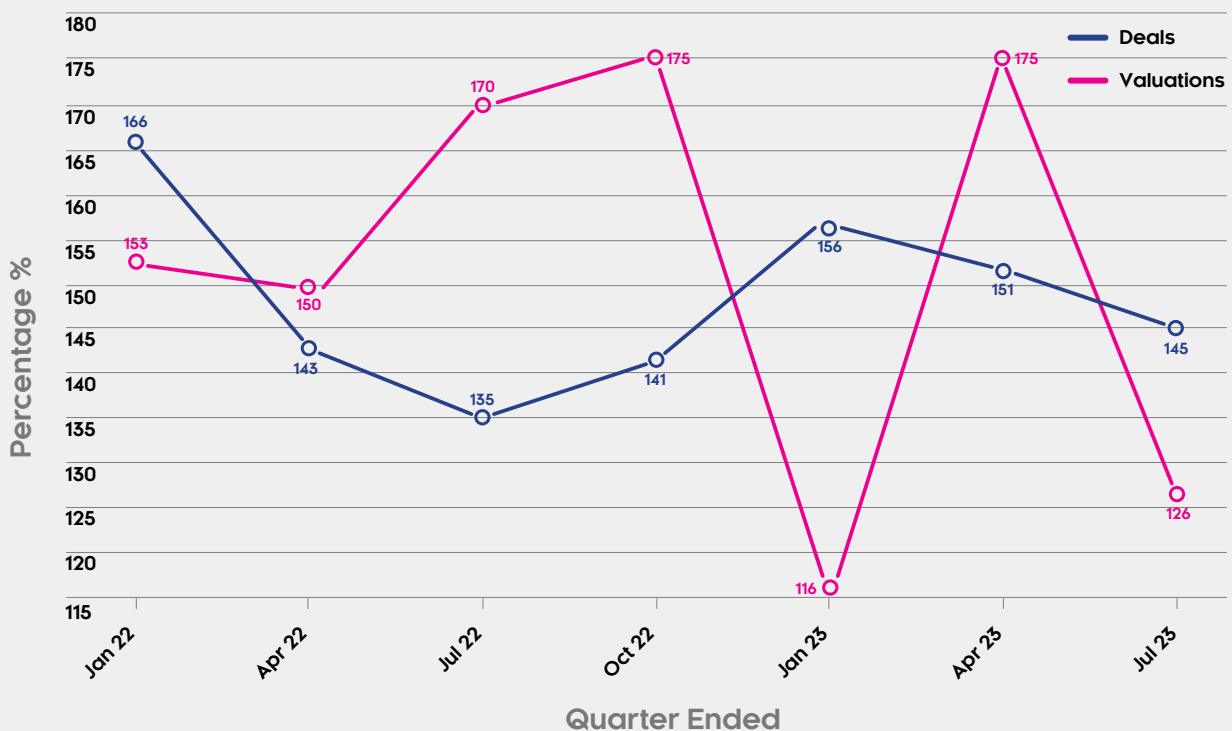
Latest survey results - goodwill on the slide?

This week has seen the release of the latest statistics from NASDAL (National Association of Specialist Dental Accountants and Lawyers) in its quarterly Goodwill Survey. This survey covers the quarter ending 31st July 2023 and includes data on valuations as well as deals completed (i.e., practices bought or sold by NASDAL members' clients in the period).

The quarter ending 31st July 2023 saw a market that is steady but perhaps seeing signs of a slow down. Goodwill values were at 145% as a percentage of gross fees – similar to the 151% of the previous quarter. Private practice values were at 150% as a percentage

of gross fees – up slightly from 145% in the quarter ending 30th April 2023. However, mixed practices saw quite a drop compared to the previous quarter – 132% as a percentage of gross fees compared with 160% previously.

Goodwill as a Percentage of Fee Income



“Deals down on 2022”

Mike Blenkharn, Partner and Head of Dental at UNW who compiled the goodwill survey commented, “I would certainly say that deals are down compared with 2022. We have entered a quieter period of the practice sales market. Indeed, our last three goodwill surveys have all shown a downward trend. I believe that this is down to a number of factors – the biggest being the increased interest rates and not just in regard to the cost of business borrowing but also that of personal borrowing; in particular mortgages.

There is still interest in those NHS practices with high UDA rates and NHS values are likely to remain steady above a certain baseline level. And, as ever, good practices sell quickly!”

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 quarter ending 31st July 2023.

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



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About NASDAL

NASDAL, the National Association of Specialist Dental Accountants and Lawyers, was set up in 1998. It is an association of accountants and lawyers who specialise in acting for and looking after the accounting, tax and legal affairs of dentists. It is the pre-eminent centre of excellence for accounting, tax and legal matters concerning dentists. Its members are required to pass strict admission criteria, and it regulates the performance of its members to ensure high standards of technical knowledge and service.



Some reflections on the 2023 Autumn Statement

by UNW tax partner Charles Linaker

Old codgers like me (and, dare I say it, Alan Suggett) will recall Bob Dylan's "The Times They Are a-Changin'" which was the title track of his 1964 album bearing the same name and which was released as a single in the UK in 1965. I think this is an appropriate description of what we have witnessed under Rishi Sunak and Jeremy Hunt in the last few years. I will draw a veil over the brief interregnum of Kwasi ("Kamikaze") Kwarteng.

Who would have thought that a Conservative Chancellor – I repeat a Conservative Chancellor – would, at a stroke, slash the limit for Capital Gains Tax Entrepreneurs' Relief from £10m to £1m, which was what Rishi Sunak did in the pre-pandemic Budget of 11 March 2020, increase the rate of Corporation Tax from 19% to 25%, which is now applicable to profits made in the current financial year to 31 March 2024, freeze income tax personal allowances and the basic rate limit until April 2028, halve the Capital Gains Tax annual exemption from £12,300 to £6,000 for the current tax year ended 5 April 2024 and reduce it still further to £3,000 for the 2024/25 tax year, halve the dividend allowance from £2,000 to £1,000 for the current tax year ended 5 April 2024 and reduce that still further to £500 for the 2024/25 tax year. I could go on but space does not permit.

Set against these changes, particularly those for personal tax, which will increasingly draw more and more people into paying more and more tax in the next few years, Jeremy Hunt's announcement of cuts to National Insurance Contributions, while welcome, will hardly have much impact in overall terms.

For self-employed dentists (i.e. sole trader principals, associates and members of partnerships) the cut in National Insurance Contributions takes two forms, but only from the start of the new tax year 2024/25. The first is the abolition of the flat rate Class 2 NIC and the second is the reduction of Class 4 NIC from 9% to 8% which is linked to annual profits. The combined

saving is reckoned to be in the region of £350 but realistically this will not be felt until it comes to the Self-Assessment payments due for 31 January 2026 and 31 July 2026!

Employees of dental practitioners, meanwhile, will benefit much sooner from an equivalent cut from 12% to 10% on Class 1 NICs, because this is scheduled to come in from 6 January 2024, so they will see a little more in their monthly take home pay from the end of January, i.e. two years earlier than the self-employed.

Jeremy Hunt made much in his speech about "Full Expensing" being the "largest business tax cut in modern British history" and so it may be for big businesses. But the reality is that for most independent dental practices the measure is totally irrelevant. Quite apart from the fact that it is only available to companies, the existing Annual Investment Allowance which allows a 100% write off for the first £1m of expenditure on plant and machinery in a 12 month accounting period is likely to be more than sufficient in most situations. Moreover, unincorporated practices claiming the AIA will obtain relief at higher tax rates of 45% or 40%, as opposed to corporation tax relief at 25%.

And talking of unincorporated dental practices, arguably the measure which could have the biggest impact on these did not even warrant a mention in Jeremy Hunt's speech but was instead hidden away in an HMRC policy paper released after he had sat down and headed "Expanding the cash basis".

What this disclosed was that, with effect from 6 April 2024, broadly all sole traders and trading partnerships (with some exceptions such as LLPs) will be able to prepare their accounts and to calculate profits for income tax purposes on a 'cash basis', as an alternative to using the traditional 'accruals' accounting basis which is required currently for



most businesses of any size when computing profits for income tax purposes. It will still be possible to elect for the 'accruals' accounting basis but the default position will be the 'cash basis', which is a complete reversal of the present position.

Although the policy paper is silent on the subject, it is evident that this change is being introduced to ease the transition to Making Tax Digital, which is set to start in April 2026, and is viewed as a simplifying measure (which for many very small businesses it will be). But this is something of a bombshell for larger businesses and will raise some potentially challenging issues and implications for all unincorporated dental practices, particularly those operating alongside companies under

common ownership, bearing in mind that companies will have to continue using the accruals basis for accounting, whether or not the cash basis is adopted for unincorporated accounts. We may well need to issue a separate release on this topic once matters become clearer in the New Year.

The draft legislation in the Autumn Finance Bill has now been published, and I would expect some robust debate about this proposal in both the House of Commons, when it comes to the Committee stage early next year, and the professional accountancy press before then.

But if this proposal becomes legislation, amending Dylan slightly, it will be "The Accounts They Are A-Changin"!



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Meet the team:

Q&A with Alfie Wright, Senior Dental Accountant

Tell us a bit about your background and when you joined the firm.

I was born in the South in Bognor Regis (known to some as the home of Butlins...). I then attended Sixth Form at King Edwards VI School in Morpeth, where I studied Maths, Economics and Chemistry.

I joined UNW in June 2022, having previously worked in Tait Walker's Morpeth office for close to 5 ½ years. At the start of 2023, I completed my AAT apprenticeship programme, achieving a Merit overall for my work.

What do you like most about working with dental clients?

I find helping dental clients switch from manual records to cloud accounting software the most rewarding part of working with them. It allows our clients to have visibility over their business financials and plan for their future, whether that be in terms of future tax liabilities or planning for a future sale.

What challenges are you helping your clients with at the moment?

One of the department's key challenges is ensuring our clients are ready for Making Tax Digital (MTD) for Income Tax.

As of today, any self-employed individual or landlord with a turnover of £50,000 or more will need to ensure they are MTD compliant from 6 April 2026 (and those with a turnover of £30,000 or more from 6 April 2027). Partnerships will follow this as part of HMRC's phased introduction of MTD, however, no date has been set for MTD compliance.

In brief, MTD requires businesses to make quarterly tax return submissions to HMRC through MTD compatible software and for records to be held digitally. Payment due dates for tax will remain unchanged for the time being. Many dental practices and associate dentists will need to ensure they are compliant. Adopting MTD compatible software before your entity's compliance date is a good step forward.



What's your favourite thing about your job?

I have to say, UNW as an organisation is a fantastic place to work! The independence of the organisation and ethos of the partners is refreshing, and this filters down to all of my colleagues. In my experience, this is rare and valuable.

What do you like to do when you're not working?

When not in the depths of accounting software and spreadsheets, I like to swim and sauna, cook at home and skateboard. When I have time set aside, I also enjoy reading, particularly biographies on well-known figures.

If you weren't an accountant, what would you be?

I'm not too sure, to be honest! My Nanna always says: 'Are you sure you are not in the wrong profession? You should be a chef!' after seeing some of my culinary delights rustled up and posted on Facebook. I simply like to work, regardless of what the role involves.

Management accounts and bookkeeping service

As a business owner, you make important decisions every day, so the information used to inform those decisions must be accurate, reliable, and relevant. Therefore, through utilising our experienced accounting professionals to help prepare the management accounts or bookkeeping services for you this will assist your business strategy and ensure more meaningful discussions are being had.

At UNW we view this service provision as a value creator with the intention of helping inform decisions going forward with up-to-date information rather than historic data and therefore taking away the guesswork. As Making Tax Digital (MTD) is implemented the requirement to utilise computerised software and comply with HMRC regulation becomes more prevalent. This service offering will help to ensure you comply with this request and would make the transition straightforward.

Keeping up with the financial demands of your business can be challenging and daunting and in turn this service provision helps to allow you the time to focus on your key area of expertise growing your business.

Our bookkeeping and management accounts service is tailored to your business needs and the fee level is tiered depending on the level of involvement required.

The pricing level gives you a guide of the level of service provision offered. The first offering is to ensure the bank accounts are reconciled monthly and make sure the computerised software is up-to-date and accurate with the service provision increasing to reconciling the accounts, providing accurate and tailored management accounting reports and a quarterly meeting to discuss the figures and assess based on NASDAL benchmarking statistics.



- ✓ Bookkeeping services
- ✓ Reconciling bank accounts



- ✓ Bookkeeping services
- ✓ Quarterly management accounts



- ✓ Bookkeeping services
- ✓ Quarterly management accounts
- ✓ Quarterly meetings to discuss the figures

We always tailor our service provision to your business requirements so should you wish to have a free, no-obligations consultation to discuss your business needs, please feel free to contact a member of the dental team.



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UNW Tax Senior Manager Louise Main outlines some important information on NHS Pension Scheme Annual Allowance Charges

Background

In 2015, when the NHS Pension Scheme (and other public sector pension schemes) underwent various changes, older members could stay in the original scheme (often called “the legacy scheme”), while younger members moved across to the newer version (“the reformed scheme”). However, as a result of the McCloud judgement (involving two employment tribunal cases against the Government concerning public sector schemes for firefighters and the judiciary) this distinction was deemed to fall foul of age discrimination, resulting in the need for what has become known as “the McCloud remedy”.

Who is affected?

Individuals who joined the NHS pension scheme on or before 31 March 2012 and who moved across to the reformed scheme on or after 1 April 2015 will be affected by the changes.

As a result, you may incur changes to annual allowance (“AA”) charges (increase or decrease) for the years affected (2015/16 to 2021/22) – known as ‘rollback’.

How is this going to work?

HMRC has introduced a new digital service which will enable affected members who have changes to AA charges to:

- Correct AA charges for 2019/20, 2020/21, 2021/22 and 2022/23
- Apply for compensation for any tax charge overpayments for the tax years 2015/16, 2016/17, 2017/18 and 2018/19.

HMRC has confirmed that members affected will not be required to submit amended tax returns (using the digital service instead).

Furthermore, HMRC has confirmed that members affected won’t need to include an AA charge on their 2022/23 tax return (again using the digital service instead).

What else do I need to know?

Affected members will receive a ‘remediable service pension savings statement’ for the tax years included in the remedy (2015/16 to 2021/22), with the 2022/23 pension savings statements being issued only after the remediable savings statements.

Because of the complexity involved, the usual deadline of 6 October 2023 for pension savings statements has been extended by HMRC to 6 October 2024 and so well after the deadline for submission of the 22/23 tax return.

As a consequence, for affected members, the mandatory scheme pays deadline has been extended to 6 July 2025 (from what would otherwise have been 31 July 2024) for 2022/23 AA charges.



Pensioner members (as at 30 September 2023) have an extended deadline to **6 July 2027**.

The above deadlines for mandatory scheme pays also apply to any AA charge arising for 2019/20, 2020/21 and 2021/22 because of rollback.

If the above deadlines are missed, a voluntary scheme pays election can be made for 2019/20, 2020/21, 2021/22 and 2022/23 and there will be no deadline for these.

What if I am not affected?

Members who are not affected should have received their pension savings statements by the usual deadline of 6 October 2023 and they will need to report any AA charge within their 2022/23 return and will have the normal scheme pays election deadline of 31 July 2024.



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Advice on buying a dental practice

Paul Graham, Head of Dental at Christie & Co and UNW's Head of Dental, Mike Blenkarn reflect on Christie & Co's recently published annual Dental Market Review which showed there is still a strong appetite for practice ownership.

Buying a practice can be a long and involved process with the average time from an offer being accepted to exchange in 2022/23 being 201 days.

The process of acquiring a practice can be frustrating and stressful. So, what can a potential buyer do to make the journey more efficient? "The main piece of advice I would give to someone looking to buy is surround yourself with advisors," says Paul Graham, Head of Dental at Christie & Co. "Find experts who have tried and tested experience in the dental sector who can give you independent and honest, straightforward advice."

Do your research

He feels that having an understanding of the steps that need to be taken along the way to

completing the purchase will stand buyers in good stead. "Buying a practice can be a stressful process," he admits "and if you do not know what is coming next, and what to expect, you will find it 10 times more difficult. So, I advise people to educate themselves. If you have spent the time arming yourself with knowledge in the years and months before you buy the practice, you will find the whole process both slicker, cheaper, faster and generally less stressful."

One area in which prospective buyers may wish to do their homework is the financial viability of the practice they're interested in buying. Accountant, Mike Blenkarn of UNW, advises that in the current economic climate, it is crucial to carry out a viability forecast on your target practice. "In most cases there isn't a requirement to do



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Find experts who have tried and tested experience in the dental sector who can give you independent and honest, straightforward advice.”





this. However, it's a useful and powerful thing to have. It gives you peace of mind, and it helps with lenders."

According to Mike, the current economic climate has ushered in a change to some of the old certainties about practice ownership and he advocates caution. "In the past practices generally have been profitable," he explains. "They've nearly always generated enough profits to service their debt. However, we now have higher interest rates and we're also seeing higher energy costs in sets of accounts, along with higher wage costs. By preparing a viability forecast, which is a very straightforward financial forecast, you get a chance to look at all the income, expenditure and loan repayments (both the interest element as well as the capital element). It should also include the prospective principal's drawing requirements. So, you get a great overview of the business' financial health."

Despite dental practices still being considered favourably by many lenders, he has seen his advice to have a viability forecast prepared justified over recent times. "The default rate where a potential practice purchase wouldn't pass a viability forecast test was always historically very low; probably about one in four," he continues. "Now we're seeing between 50% to 60% of these financial forecasts failing the required tests our lenders require to fund such a purchase. So I would urge prospective buyers to ask a specialist accountant to prepare this viability forecast for any practice they're considering."

Understand your goals and objectives

However, before embarking on any of these steps Paul advises spending some time thinking about your own goals and motivation. "Make sure you understand why you're acquiring that



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business," he urges. "Then focus on a few key areas of the business: reputation, finances, the patient base growth potential, and then lastly the infrastructure, including the team. And those are pillars that, when we see them perform well, can produce some of the best performing dental businesses in the marketplace."

He suggests taking some time to make a dispassionate assessment of the prospective purchase. "A sense of realism that not everything is going to be perfect is important. I'd also suggest considering something that is probably the last thing on the mind of a purchaser, which is: what's the intended end result of all of this? Is it a five-year growth plan and then sell out? Is it 15 years? Are you securing your career in dentistry for 25 years? Always have one eye on what the end goal is as well."

So, in conclusion, given the current interest rates and the squeeze on personal finances, is now a good time to buy a practice? Yes, according to Mike Blenkarn. "Out of adversity comes opportunity," he says. "As long as the homework's done, there are opportunities. There's a chance here to strike while others are on the sidelines worried about interest rates."

"So, if you are in a good strong personal financial position, which will be important for bank lending purposes, then you're in a good position. As long as you do the homework and you run the numbers, I believe now is a fantastic time to buy."



What you need to know about tax and accountancy on becoming a Dental Associate

UNW Tax Assistant Manager Ben Robison recently gave a presentation to Foundation Dentists about tax and accountancy in relation to becoming a Dental Associate. Here he summarises some of the points which he covered.

Registering for Self-Assessment

As a Foundation Dentist you will have received a salary subject to deduction of income tax/national insurance contributions (and student loan repayments) under PAYE.

As a Dental Associate, this will change. Because you will (typically) be treated as self-employed by your Dental Principal, you will receive your monthly pay gross without any deductions being made at source.

However, you will need to register with HMRC for Self-Assessment so that you personally can account in due course for income tax, national insurance contributions and student loan repayments in respect of your earnings.

If you have a Government Gateway account, you can do this online and there is now an HMRC Youtube video (which is less than 6 minutes long) taking you through the steps of how to register for Self-Assessment if you are self-employed. Alternatively, if you would like UNW to look after your affairs, we can do this on your behalf.

Either way, once your application to register has been processed, HMRC will issue you with a 10 digit number Unique Taxpayer Reference ("UTR" for

short), which like your National Insurance Number ("NINO" for short), is allocated to you for life and will be required each time you submit your annual tax return and/or make a payment under Self-Assessment to HMRC.

Filing returns and paying under Self-Assessment

A Foundation Dentist starting as an Associate with effect from 1 September 2023 needs to have registered with HMRC by no later than 5 October 2024 and his/her first tax return will be made up to the tax year ended 5 April 2024. This will report salary and tax deducted under PAYE from 6 April 2023 to 31 August 2023 (for which you should have received a form P45) plus your Associate income and expenses for the period from 1 September 2023 to 5 April 2024. The filing date for this return is 31 January 2025.

31 January 2025 is also the date when your first payment of income tax, Class 4 NIC and student loan repayments will be due, but you need to recognise that, under the rules of Self-Assessment, you will be required to make a payment on account towards the next tax year (i.e. the tax year ended 5 April 2025) also on 31 January 2025, with a second payment on account due, six months later, on 31 July 2025.



Typically, each payment on account will be 50% of the previous tax year's SA tax liability and you will receive credit for both payments on account when it comes to calculating and paying your final 2024/25 tax liability the following 31 January 2026, which is the filing date for your tax return for the year ended 5 April 2025.

It is important therefore that, from the outset, you get into the habit of putting to one side an element of each month's associate pay, so that you are not caught embarrassingly short when the time comes to pay HMRC. As a rule of thumb, we would recommend setting aside a third of each month's pay, at least to begin with.

Accounts and Tax Return

A key difference to being a Dental Associate is that you are subjected to income tax and Class 4 NIC on your net profits, i.e. your income less any expenses allowable for practice purposes.

On the income side, you should include both NHS and Private in your accounts, but not anything which has been taxed under PAYE. (This will be reported separately in an Employment Supplement included with your return).

The allowable practice expenses to be deducted from your income as a self-employed Dental Associate are generally more-wide ranging than those which can be claimed as an employee and it is important to keep a record of these, including all receipts and invoices to support any expenses claimed. Categories of allowable expenditure include:

- Professional Indemnity Insurance
- Professional subscriptions (e.g. GDC, BDA)
- Lab fees
- Training Course fees (although not necessarily all will be allowable)
- Cleaning and laundry
- Protective clothing costs
- A percentage of your mobile phone & home internet costs relating to practice use
- Motor expenses (but crucially not those incurred between home and place of work)
- Accountancy costs (to the extent that they relate to preparation of annual accounts)

All of this information will be reported in a Self-Employment Supplement which is part of your Self-Assessment tax return to 5 April 2024 and it is the net taxable profit which will be the basis for calculating



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A Foundation Dentist starting as an Associate with effect from 1 September 2023 needs to have registered with HMRC by no later than 5 October 2024.

your liability to income tax, Class 4 NIC and student loan repayments plus the income taxed under PAYE.

On the subject of returns, something else to be aware of is that April 2026 is scheduled to see the introduction of “Making Tax Digital” which will require you to file quarterly returns of your income and expenses with HMRC, emphasising even more the importance of keeping on top of your records. This is a major change to the operation of the UK tax system, and we will be covering this as a topic in future bulletins.

Other matters to consider

If you are a member of the NHS pension scheme any superannuation contributions will be deductible from your net profits, but you will need to ensure that these have been calculated correctly.

If you are not a member of the NHS pension scheme, or undertake very little NHS work, you should look at contributing to a private pension scheme and again should be able to claim tax relief on such contributions.

Sometimes it is suggested that Associates should trade through their own limited company, but this is not typically something we would advise new Dental Associates to do, since the additional compliance costs, at least in the early years, are likely to outweigh any perceived tax savings.

The final point to make is that new Dental Associates need to be aware that their self-employed status is no longer guaranteed by HMRC to the extent that

it was before 6 April 2023. Until that date, typically any Associate who had an agreement with his/her Dental Principal which was in the standard form approved by the BDA and the DPA, and whose terms were followed, would be treated by HMRC as self-employed for tax. However, following a review, HMRC withdrew its guidance with effect from 6 April 2023, so that dental practices and Associates are now required to consider the tax status of all new dentists (and to review the status of ongoing Associates) on a case by case basis in accordance with the HMRC Employment Status Manual ESM0500.

We are still very much in the early stages of this new approach by HMRC and will be returning to consider this further in future Dental Bulletins. In the meantime, if you would like to get in touch about anything to do with this article, please contact me.



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Unlike others

Find out how at unw.co.uk

What makes UNW different?
It's our people.

With exceptional expertise, a genuine interest in going above and beyond, and a proven track record of success, our people are committed to looking after our clients and delivering a service that far exceeds expectations.