

Invest in your practice

Bob Cummings analyses the Budget.

Two items in this year's Budget bring good news to the dental profession. These were increases in the Annual Investment Allowance (AIA) and Entrepreneurs' Relief. They will be of particular benefit to any dentists planning to refurbish or extend their practice as well as to suppliers to the dental profession who may find their clients eager to spend as a result of more generous allowances.

The AIA enables dentists to claim 100 per cent tax relief on equipment, fixtures and fittings and some 'integral features'. This tax relief can be very valuable on practice purchase, extension or refurbishment or when new or replacement equipment is purchased.

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The Budget increased the limit for claims from £50K pa to £100K from April 6, 2010. Less than three per cent of UK businesses ever spend more than £50K on new equipment in any one year so the Chancellor may believe that he has not given much away. However, as it is very easy to spend more than that on one surgery, many dentists could fall into the high-spending category.

Given that the new tax rate now in force is 50 per cent and there is an additional one per cent on National



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Insurance contributions, the AIA could effectively pay for more than half of any new equipment purchases.

Despite speculation earlier in the year that capital gains tax would increase, the rate remains at 18 per cent. Additionally beneficial to dentists is the news that Entrepreneurs' Relief has been doubled from £1m to £2m from April 6, 2010. This means that capital gains tax on business gains of up to £2m on which relief is available can be effectively reduced to 10 per cent.

Unfortunately the change was probably announced too late to allow some practice sales to be deferred until the new tax year!

While few dental practices are sold for more than £1m, let alone £2m, and

so will impact on few practice-owners, it will keep tax payable on sale of business at very low rates and may encourage more practices to realise the value of their goodwill while the tax position is favourable.

Otherwise, Alistair Darling's announcements in the Budget confirmed many pre-announced tax changes, most of which will lead to higher taxes. ■



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