



*For immediate release
December 2014*

Autumn statement brings frustration for dentists with incorporation plans

In his Autumn Statement, Chancellor George Osborne has put a stop to Entrepreneurs Relief being available to businesses which incorporate their goodwill. Entrepreneur's Relief (ER) can reduce the CGT payable from 28% to 10%.

Heidi Marshall, a partner in specialist dental accountants Dodd and Co and a member of NASDAL's main committee, said: "Dental practices with incorporation plans on the table will be hugely frustrated by this announcement as there are no transitional provisions. The new measure has been introduced with immediate effect."

However, Entrepreneurs Relief (ER) is still available when a dental practice is sold to a third party and there may be some select practices which can still benefit from incorporating. Those who are interested should discuss with their NASDAL accountant.

Heidi continued: "Alongside the surprise measure denying ER on disposals of goodwill to related companies, the Chancellor also introduced a restriction on Corporation Tax deductions for goodwill acquired from a related party on incorporation. The restriction applies to transfers on or after 3 December 2014. Companies

already receiving relief for goodwill recognised on incorporation will not be affected.”

Since 2006, when the General Dental Council changed its rules to allow dental practices to incorporate, around 10% of dentists went down the incorporation route. For many dentists, this was not going to be appropriate but for those who did go down this route, one of the major tax benefits to incorporating your dental practice was the ability to "sell" your goodwill to the new company and claim entrepreneurs relief (ER). You had to pay the tax upfront, but this outlay was soon recouped; companies pay corporation tax at 20% whereas individuals pay income tax at up to 45%.

Heidi said: “These change in tax legislation coupled with the onerous contract clauses being insisted upon by NHS England for incorporations will no doubt mean that there is a significant reduction in dental incorporations going forward.”

Nick Ledingham, NASDAL Chairman said: “Our accountants and lawyers will be working hard to see if there is a way round these changes to the legislation and identify other tax planning opportunities to benefit dentists.”

Note to editors: For further information, contact Caroline Holland on 020 8679 9595/07974 73139

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