

Beware the golden handshake which promises much but may be taxed.

Golden hellos

For associates these carry a gilt lining, says **Bob Cummings**.

As any keen observer of the dental profession will have noticed, the practice sales market has remained buoyant. But at the same time, the process of buying and selling has become more complex, partly as a result of the influx of larger chains of practices.

In support of these groups of dental practices are professional teams with lawyers whose role is to ensure that if a sale is undertaken, due diligence is thorough and the sale and subsequent operation as smooth as possible. In such circumstances, it's tempting to assume that anything

you are told by the purchasing team can be relied upon for your own decision-making.

A sizeable National Health Service contract in a large mixed practice is still the most attractive purchasing option for the larger chains. Another important consideration is the staff and how much they are valued by patients. As a result, in recent years there have been 'golden hello' payments of several thousand pounds to associates to encourage them to stay on at a newly acquired practice.

I have recently been asked to give my views on one case where associates were told at the time they were given the payments that because these were for 'goodwill' they were not taxable as income.

In this instance, the sums of money were to compensate for a drop in earnings and equated to two year's loss of earnings in return for staying with the purchaser of the practice.

However, what the two associates were told was nonsense. As this was a payment for loss of earnings how it can be classed as goodwill? In any event, since when did associates own goodwill?

I raised this on the NASDAL forum, and colleagues agreed that the associates had been badly advised. This matters because they should have paid tax on these sums. If HMRC catches up with them, they could be looking at interest on the money as well as penalties. Ignorance of the law is no defence.

So if you are an associate and the prospective buyer of your principal's practice is offering you money to stay on or to compensate for a lower UDA rate, make sure that in any negotiation, you factor in the tax you will be paying on that sum. And always make sure you get your own, independent advice, preferably from a specialist accountant.



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