



NASDAL's guide to the Budget in 2015

A package of changes to taxation and pensions that are most likely to impact owners of incorporated dental practices as well as top-earning dentists was announced by Chancellor George Osborne in his latest Budget.

But one change will benefit all practice-owners – an increase in the employers' National Insurance Contributions Allowance of £1k, from £2000 to £3000, coming into effect next April.

Simon Richards, a tax partner with UNW LLP, a NASDAL member firm in Newcastle, said that the Chancellor's intention was probably to off-set the increase in the minimum wage that has also been announced - £7.20 an hour from next April going up to £9.00 an hour by 2020.

He provided an overview and commentary of the Budget highlighting 9 key areas that will affect dentists and dental practice-owners, the first two being directed at limited companies:

Dividend tax credit – the favourable terms on which business owners can draw money out of their incorporated business - is to be abolished. Instead of being able to draw annual dividends tax free up to the value of £32,000, there will be a dividend tax allowance of £5k per year, from next April. The new rate of tax on dividend income will be 7.5% for basic rate tax payers, 32.5% for higher rate tax payers and 38.1% for additional rate tax payers. “This is the change which has surprised us most. Tax free dividends are being significantly curtailed.”

With immediate effect, the Chancellor has restricted the corporation tax relief that can be obtained against the purchase of goodwill. First introduced in his 2014 Autumn Statement, when tax relief on amortisation of goodwill when acquired from connected parties was abolished, it has been extended to include acquisition from a third party.

Alan Suggett (pictured), a specialist dental accountant with UNW LLP's dental business unit, said: “This will have a significant impact on the tax payment position of newly bought private practices. This is bad news for the dental market place but doesn't close the door on dental incorporations.”

But there is good news too, according to Simon and this includes a phased reduction in corporation tax from 20% today, to 19% in 2017 and 18% in 2020. “In the space of four years, dentists will see an overall reduction of 10% in their tax bill.”

An increase in the Annual Investment Allowance from £25,000 to £200,000 on all qualifying equipment acquired on or after January 1st 2016. “The current allowance is £500,000 but was always meant to be temporary and was meant to reduce to £25k on December 31st of this year – so this permanent increase is to be welcomed.”

Buy-to-let landlords will also experience a restriction on the relief that they can claim on their mortgages. “Currently, landlords

with buy-to-let properties get tax relief according to the tax band they are in – in future it will be a 20% saving across the board.”

Dentists who have a non-domiciliary status will be taxed like all other UK dentists from April of 2017. “If a dentist has been here for 15 of the last 20 years, they will be taxed on any overseas income, even if they don’t bring it into the UK.”

A new inheritance tax allowance has been added to the existing entitlement of £325,000 – beneficiaries currently pay inheritance tax at 40% on any sum above this figure. The new allowance is set at £175,000 per individual and applies to the property that they are bequeathing – but only when the beneficiary is a child or grandchild.

Finally, two changes to pensions: the lifetime allowance for an individual’s pensions pot is being reduced from £1.25 million to £1m from April of next year and the government will restrict the benefits of pension tax relief from April next year for those with incomes above £150,000 by tapering their annual allowance but subject to a minimum allowance of £10k.

Note to editors

- 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.
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