



*For immediate release April 2014*

## **When goodwill goes bad**

A growing number of dentists who have incorporated their dental practices are being challenged by HM Revenue and Customs to defend both the valuation and the process by which the practice assets were transferred to the new limited company.

This is a potentially worrying issue for some dentists because if HMRC is successful in its challenge, any reduction in the valuation could be taxed by up to 59%.

Alan Suggett, a partner in accountants UNW LLP and a member of NASDAL's technical committee, explained: "The goodwill transferred to the limited company can be treated as taxable remuneration. This creates a liability for income tax at 45% and National Insurance of 13.8%.

Alan commented: "In the case of an NHS incorporation, where the contract remains in the name of the dentist, this could apply to the whole goodwill value. How many practice owners could afford to write out a cheque to HMRC for 59% of their goodwill?"

"Suppose the goodwill valuation was £1m and this is successfully challenged by HMRC, the dentist's company will have to find £588,000 to hand over as tax."

The issue was discussed at the biannual meeting of NASDAL at which members share their technical knowledge of dental practice matters for the benefit of their dentist clients.

This issue is of particular concern to NASDAL lawyers who sell practices which were incorporated without the benefit of specialist advice. In many instances NHS practices have been "incorporated" leaving the contract in the name of the dentist, which throws up significant problems when the practice-owner wants to sell the company. In addition to tax and NIC, other problems that result from flawed incorporations can include breaching the NHS contract and exclusion from the NHS pension scheme.

The meeting agreed that, provided the incorporation had been carried out by dental specialist accountants and lawyers, unexpected problems should not arise. Unfortunately many incorporated practice owners have not been advised properly.

According to Nick Ledingham, NASDAL's Chairman, roughly 20% of dentists have incorporated compared to 61% who are sole traders and 19% in partnerships. He urges dentists who are concerned about possible implications of their incorporation to contact a NASDAL solicitor or accountant: [www.nasdal.org.uk](http://www.nasdal.org.uk)

### **Note to editors**

For further information, contact Caroline Holland on 020 8679 9595/07974 731396