

# Employment Update



## Personal Allowance

Following the controversy over the removal of the 10% tax band, the government will be increasing the personal allowance from £5,435 to £6,035 per annum. Payroll records should be updated with effect from 7 September 2008 by increasing all employees' tax codes by 60.

With effect from 1 October 2008 the minimum wage will increase to:

<b>16-17 year olds</b>	<b>£3.53</b>
<b>18-21 year olds</b>	<b>£4.77</b>
<b>22 and over</b>	<b>£5.73</b>

For further information or help and assistance with your payroll please contact us. ■

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# Dentists only get to keep 47% of their income

Dodd & Co recently looked into the total amount that dentists have deducted from their income and came to the shocking conclusion that higher rate tax paying dentists can have up to 53% of their income taken from them in tax, national insurance, superannuation, VAT, council tax and other payments to the state.

The calculations were based on a higher rate tax paying dentist whom: -

- Travels 200 miles a week in their car
- Spends £200 a month on eating out and socialising
- Spends £200 a month on consumables and clothes
- Spends £100 a month on heat and lighting
- Spends £80 a week on groceries
- Holidays abroad twice a year.



By Heidi Fowler

Dental Finance Specialist

Whilst the deductions for tax, national insurance and superannuation account for 48% of the income the extra 5% was eaten up by taxes on spending and council tax bills.

A dentist with superannuable earnings of £102,500, subject to higher rates of tax, will only net £4,054 a month after all the deductions above!

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The above photo was recently taken of a dentist practice in a street market in Jodhpur, Rajasthan in India.

## It's a Good Time To Upgrade Your Practice

If you are refurbishing your surgery it will be worth your while to obtain an itemised list from your builder of the cost of each new item.

Generally speaking up to 35% of the cost of a refurbishment will qualify for capital allowances. As the capital allowances rules have recently changed, you could get tax relief against your income on all of this expenditure.

For example if you spend £100,000 on a refurbishment during the year ended 5 April 2009 and £35,000 of

the cost relates to assets which qualify for capital allowances you will save tax and National Insurance of £14,350.

If you spend more than this you will get allowances of 20% or 10% of the additional amount that you may claim against your income. You may then claim further allowances each year until the whole cost has been claimed.

Examples of items that qualify for capital allowances are:

- Wash basins and toilet fittings (20%)

- Desks and chairs (20%)
- Equipment (20%)
- Carpets (20%)
- Electrical systems (10%)
- Cold water systems (10%)
- Heating systems (10%)

We will be pleased to review any invoices or quotes you receive and advise you which items qualify for capital allowances purposes. We are also happy to discuss the detailed information required with your builder or attend site to help identify qualifying items. Just ask your normal contact.

# Dentists Rewarded

## for remaining within the NHS

Seniority payments are additional income paid to practitioners who have reached the age of 55. Seniority payments are designed to reward dentists who have remained within the NHS and to compensate them for the perceived reduction in their productivity compared to that of their younger colleagues.



To qualify for seniority payments you must:

1. Be 55 years old on or before the quarter you are claiming for. For example if you turn 55 in November your first period for claiming seniority will be 1 January to 31 March
2. Have practised within the GDS for at least 10 years in total since 1948 and at least 5 years within the last 10 years.
3. Have earned at least £207,000 pensionable earnings in the last 10 years. Pensionable earnings are calculated at 43.9% of gross earnings.
4. Have undertaken two approved postgraduate courses within the five quarters prior to the quarter for which you are claiming.

To apply for seniority you should request and submit a form FP88 to your local PCT.

**You should apply for this allowance as soon as you turn 55 as payments CANNOT be back-dated.**

# Mortgage Market Trends

Ian Watters, Mortgage Manager at Dodd Murray Limited, gives a brief update on the mortgage market to dispel some myths.

The lenders have created both their own problems from poor lending practices but the media also created a firestorm that has caused the market to lose significant confidence. Time for some common sense:

The mortgage lenders have only altered lending policy to the degree that if they are

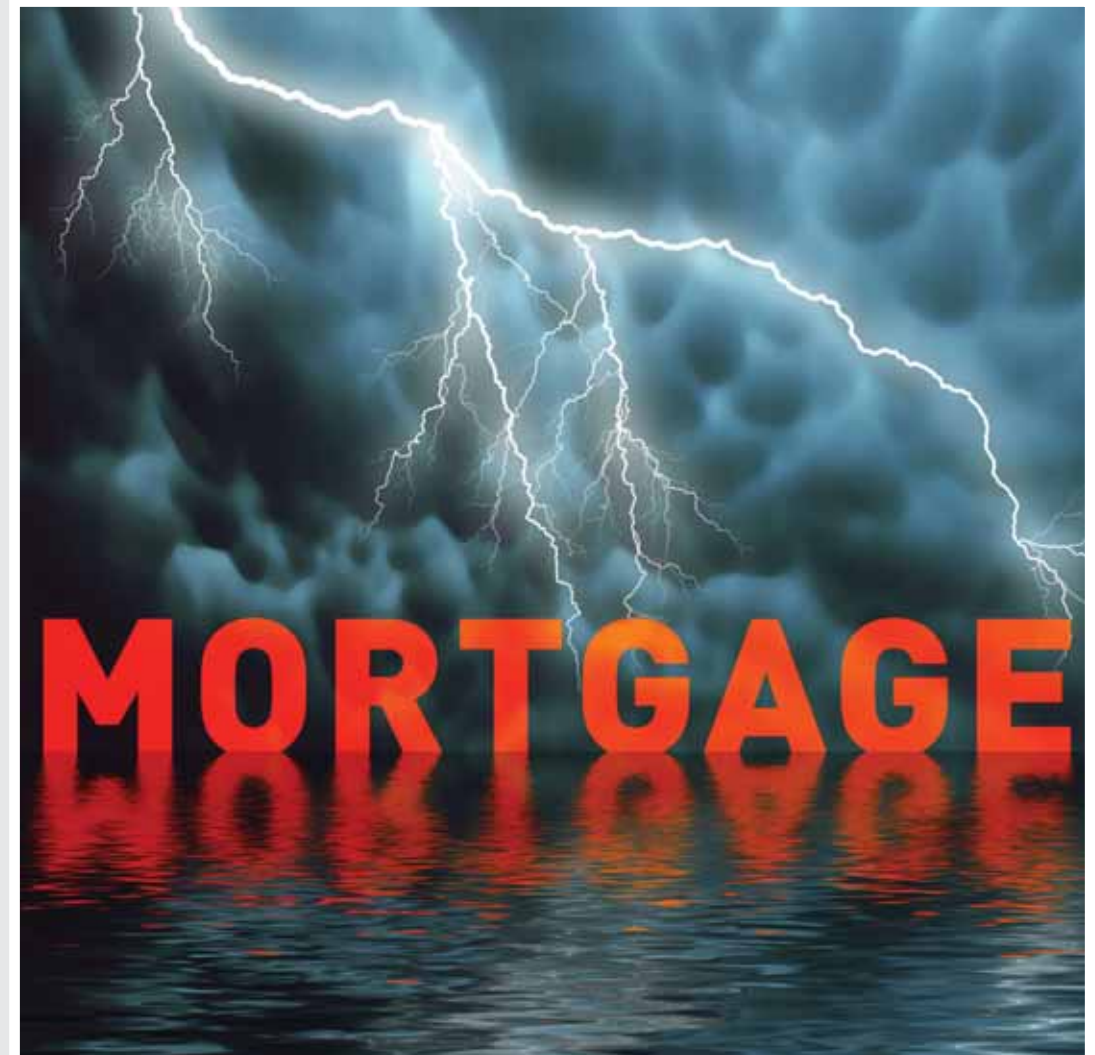
presented with lending that never should have been approved, they will now decline it!

There is not a single case that Dodd Murray Limited has transacted in the last three years that we could not place now.

Products – yes rates have increased, but over the last month we have seen progressive and controlled reductions in rates by the major

players, which is both prudent and sensible as an approach. No-one wants as such to be an outright market leader and as a consequence get swamped with business they cannot service.

Nationwide announced on 7 August 2008, that their 5 year fixed rate product is reducing to 5.98% with a £599 fee.



This basically is in line with peoples view was that rates were a little higher than they were used to, but liveable.

There are 95% mortgage deals and a handful of 100% deals again.

So mortgages are available and the rates are coming back to where they should be.

House pricing will be the final component, which will take several months, as exist-

ing sellers need to adjust their expectations on what their home is worth. In Cumbria major lenders estimate that a 5% to 12% reduction is the most likely outcome. This at least will make the market a bit more accessible to first time buyers.

Confidence is a difficult thing to create in any market, but with discussions of suspending stamp duty to re-start the market.... My own view is that they should dump Home

Information Packs (HIPS) immediately. They are costly and put potential sellers off from testing the market as they have done for several decades. NO lender has accepted the survey that people have had to get completed as part of the HIP process, so it is genuinely a true duplication and waste.

For mortgage advice please contact Ian Watters at Dodd Murray Limited on 01228 522258. ■



# Ill-health Retirement

From 1 April 2008 a new two-tier system for ill-health retirement benefits has been introduced:

#### Tier 1 -

Member assessed as being unable to do their current job



#### Tier 2 -

Member assessed as being unable to do regular work  
Where an individual is assessed as being incapable of work in any industry they will be entitled to early payment of their retirement benefits earned to date increased by two thirds of the prospective membership up to retirement age.

#### For example:

A member of the NHS Pension Scheme who has a retirement age of 60 takes ill health retirement at 51 having worked full time in the NHS for 30 years.

Under Tier 1 they will qualify for 30 years retirement benefits.

Under Tier 2 they will qualify for 36 years retirement benefits. 30 years actual, plus an increase of 6 years. (2/3 of the 9 years prospective membership).

The changes will affect anyone whose request for ill-health retirement is received by the NHS after 31 March 2008 and whose last day of pensionable membership is on or after 1 April 2008. Anyone whose request was received by the NHS by 31 March 2008 or who is already in receipt of benefits is not affected.

For more information on the NHS pension scheme contact us or log onto [www.pensions.nhsbsa.nhs.uk](http://www.pensions.nhsbsa.nhs.uk)

# Significant Tax Savings



Many dental practices are achieving significant tax savings by incorporating their businesses.

These savings can be achieved by taking advantage of a company structure to avoid national insurance by paying dividends and to control the timing of personal remuneration and therefore reducing the personal tax payable. The example below shows tax savings of £132,631 that could be made over a period of five years based on a practice with profits of £230,000 and annual drawings of £108,000, assuming 08/09 tax legislation continues:

Remain as a sole trader	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Personal Tax Liability	87,307	87,307	87,307	87,307	87,307	436,535
<b>Incorporation</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
Capital Gains Tax	23,820					23,820
Corporation Tax	47,159	49,404	49,404	49,404	49,404	244,775
Personal Tax	-	-	-	11,501	23,807	35,308
<b>Total Tax</b>	<b>70,979</b>	<b>49,404</b>	<b>49,404</b>	<b>60,905</b>	<b>73,211</b>	<b>303,903</b>
<b>Tax Savings On Incorporation</b>	<b>16,328</b>	<b>37,903</b>	<b>37,903</b>	<b>26,402</b>	<b>14,096</b>	<b>132,631</b>
<b>Retained Profits in the Company</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Total</b>
Goodwill owing to director	275,000	0	0	0	0	275,000
Profits	230,000	230,000	230,000	230,000	230,000	1,150,000
Less Corporation Tax (above)	(47,159)	(49,404)	(49,404)	(49,404)	(49,404)	(244,775)
Money Drawn	(131,820)	(108,000)	(108,000)	(119,501)	(131,807)	(599,128)
<b>Remaining in company</b>	<b>326,021</b>	<b>72,596</b>	<b>72,596</b>	<b>61,095</b>	<b>48,789</b>	<b>581,097</b>

It is important to remember whilst incorporation can be beneficial for many dentists it is not for everyone and it is important that you seek specialist advice before making a decision.