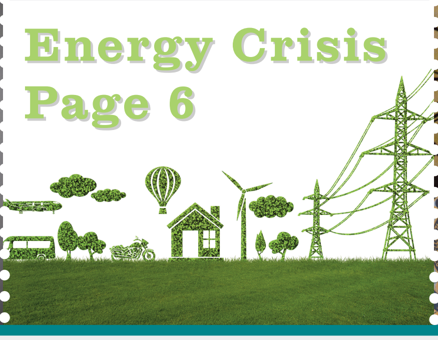
in The Know

Autumn 2022

Dental



Welcome to our dental newsletter

The hokey cokey of UK politics has certainly been giving accountants and tax advisers a run around recently!

It's almost impossible to do any planning at the moment as new legislation has been introduced and then u-turned.

The Autumn Statement, planned for 17 November 2022, is only a short while away. So, rather than give you information in this newsletter that may well be out of date by the time we "go to print" - we would urge you to keep an eye out for our Autumn Statement update which will be emailed out as and when we have collated (and digested) the information on the 17th.

If you're not currently opted in to receive our updates please email hello@doddaccountants.co.uk and we'll add you to our mailing list.

Meanwhile, the dental sales and purchases market appears not to have been dampened by recent events and we're working alongside many of our clients as they step into practice ownership or at the other end make their way into retirement. If you're thinking about either, please get in touch, the earlier the better so we can guide you throughout the process and make sure the deal is the absolute best for you.

In other news, what happened to 2022?!! If you have any staff parties planned or gifts to give, there is a guide to the correct tax treatment in the news section of our website www.doddaccountants.co.uk/news

Finally, I'd like to congratulate Heidi Marshall, who has been appointed Chairman of NASDAL, the National Association of Specialist Dental Accountants & Lawyers - a fantastic achievement!

I hope you enjoy this edition, please get in touch if you'd like to discuss anything in more detail.

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NASDAL
National Association of Specialist Dental Accountants & Lawyers

aspd

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Land & Property

Relaxation of CGT Rules on Divorce

Going through a divorce can be one of the most stressful periods of a person's life. Dividing up the matrimonial assets can be one of the most difficult aspects to deal with, and one aspect that has always seemed very unfair is the possibility of a Capital Gains Tax (CGT) liability arising as a result of transfers of property between two parties to a divorce.

As things stand, any transfers of property between spouses who are living together take place on a "no gain no loss" basis, meaning the asset passes at cost for CGT purposes, and any gain is deferred until the asset in question is sold. When a married couple separate, this favourable CGT treatment continues to apply throughout the tax year of separation. After that, the parties remain 'connected' for CGT purposes (meaning transfers are deemed to take place at market value) until the divorce is finalised. In reality, the process of agreeing a division of assets will take a significant length of time, meaning transfers will usually take place after the end of the tax year of separation, resulting in CGT liabilities (due to the deemed market value disposal rule) – talk about kicking somebody whilst they are down!

It is therefore very welcome news that the Government have announced that the rules will be changed for transfers on or after 6 April 2023. From that date, all transfers of assets between the two parties will take place on a "no gain no loss" basis until the earlier of:

- The end of the third tax year following the tax year of separation
- The date when the divorce is finalised

Furthermore, where transfers are made as part of a formal divorce agreement or court order, the "no gain no loss" treatment will continue to apply indefinitely.

These changes will come too late for some couples who have already transferred assets or who will be compelled to transfer assets before 6 April 2023, but going forward the changes will be extremely helpful for divorcing couples and an unwanted CGT liability will be one fewer thing to worry about.

If you have any questions regarding Capital Gains Tax, please speak to your usual Dodd & Co adviser or email hello@doddaccountants.co.uk.

What's the craic with VAT?

UK dentists are not usually required to be VAT registered as the services provided generally fall within exempt services. A UK business only providing exempt services cannot be registered for VAT.

Where your main principal purpose is to protect, maintain or restore the health of the patient or to provide dental prostheses and you are a person registered on the dental register then your services may be fully exempt from VAT.

Other services you provide may not be exempt from VAT, for example Botox or teeth whitening. In such cases where cosmetic dentistry is performed outside of healthcare, these services may be taxable.

Where your business accounts for management charges, these too may constitute a taxable supply.

Your total taxable supplies should be monitored monthly against the VAT registration threshold of £85,000. If at the end of any month, the taxable supplies for the previous 12 months are in excess of £85,000 then you must apply to register for VAT before HMRC's deadline. You must also register for VAT immediately if you expect to receive in excess of £85,000 in a single 30 day period.

It may be easier to monitor the value of taxable supplies if the relevant taxable income streams are kept separate from your general dentistry exempt income. If you would like any assistance setting up separate records then please get in touch.

For those of you without a specialist dental accountant and to prevent any nasty VAT surprises, please ensure that you have considered the taxable treatment of all your services and continually monitor your requirement to register for VAT.

It is your responsibility to monitor your taxable turnover at the month end to ensure that you are registering for VAT at the correct date. If you would like discuss this with us, please get in touch.

For further help and advice on VAT get in touch with your usual contact or email hello@doddaccountants.co.uk.

Why do I need Income Protection?

Income protection can typically cover up to 60% of annual earned income before tax. Dividend income can be included in this total income amount providing it is clearly related to work activities as well as payments having a regular payment pattern rather than irregular one-off payments.

The term of income protection plans are written until a date specified by the applicant, usually in keeping with expected retirement date or state pension age.

If you operate through a limited company, it is now possible to have cover in place which protects both salary and dividends, although if you have an existing plan in place I would strongly recommend that you look at the "terms and conditions" to see if this applies to your policy.

All too often individuals take out income protection plans without being aware of the incapacity definition in which the plan would pay out. "Would it pay out if I am sick?" or "would it only pay out if I couldn't do any occupation?". If the health issue cannot be resolved then income protection would pay out until the end of the policy term.

There are 2 types of income protection, "Suited occupation" and "Own occupation". This is really important to know exactly what type of plan you have as it will determine the circumstances in which a claim will be paid out.

Own occupation

Is what it says it is. It provides the greatest level of protection should you get ill and not be able to carry out your current job. As an example if you had your occupation listed as a dentist and you no longer had use of one of your hands, this would mean that the policy would pay out until the specific health issue has been resolved or the end of the policy term.

Suited occupation

This allows the insurer to accept that you can't complete your current job, however they would still potentially expect that you have the ability to carry out a different job which you are suitable for because of your training and experience. As an example, and again using the above scenario of dentist with the lack of use of a hand, "suited occupation" would potentially not pay out as they would determine a suitable occupation based on skills, training, qualifications and experience which could include a role such as tutoring or coaching although this is at the discretion of the insurer.

It's advisable to take out a policy using the own occupation definition as this provides the highest level of income protection.

While not necessarily as important as occupation type, you have the option to add an 'index-link' to your income protection, meaning it rises with a measure of inflation, such as the consumer prices index (CPI) or the retail prices index (RPI), each year.

This will increase your premiums each year too and they're usually increased by a little more than inflation.

One final point is that it's just as important to review existing plans when you start to reduce your workload. Remember you would only receive a benefit of 60% of current earnings so you may be paying for more cover than you can actually claim for.

Policies have no cash-in value, if you stop paying your premiums, your cover stops and you get nothing back.

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What are my funding options? See Page 5

How do I deal with unexpected expenditure?

By Heidi Marshall
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My clients who know me well will be able to visualise me rolling my eyes at this! The truth is there are very few "unexpected expenditures" and in both life and business it is important to be prepared and to plan. I do try and drill this into my clients at every opportunity.

As an individual your tax is always due in January and July and if you trade as a company your corporation tax is always due 9 months and 1 day after the year end. If you get your information into your accountants in a timely manner you will have these bills well in advance. Better still if you keep regular up to date accounts information (such as Cloud accounting) then you can get ongoing up to date financial figures, so you can save as you go.

If you know your chairs are getting old it is likely that they may need repairing and/or you will need to buy new ones. If you have trainee nurses you know you will need to fund their pay rises when they qualify etc. In addition to planning for these types of events businesses should keep a slush fund (working capital) to cover day to day expenses should turnover drop off or expenses increase one month.

There are plenty of funding options available for dentists as it is still a very favourable industry amongst finance providers, from high street banks to alternative providers. However, you will always have the most choice if you go to these finance providers in advance with plenty of notice about how much money you need and why. Giving yourself plenty of time will mean you can consider the offers on the table – even more important now with interest rates increasing.

Admittedly (for those thinking I haven't answered the question!) there are some unexpected expenditures in life and this is what insurance is for. It is important to review your policies annually – not just the common ones like buildings and car insurance but life insurance, sickness cover, locum cover, tax investigation cover etc. A good financial advisor for any business owner is key to ensure they are correctly protected throughout their careers and beyond.

If you do find yourself in trouble and cashflow is tight, please speak to us sooner rather than later as we are usually able to help.

Energy Crisis

Inflation is predicted to reach up to 15% by the start of 2023. The resulting cost of living crisis and its impact on the public's disposable incomes means it is difficult for dental practices to increase patient charges in order to protect their profits. So if turnover can't be increased can any costs be decreased?

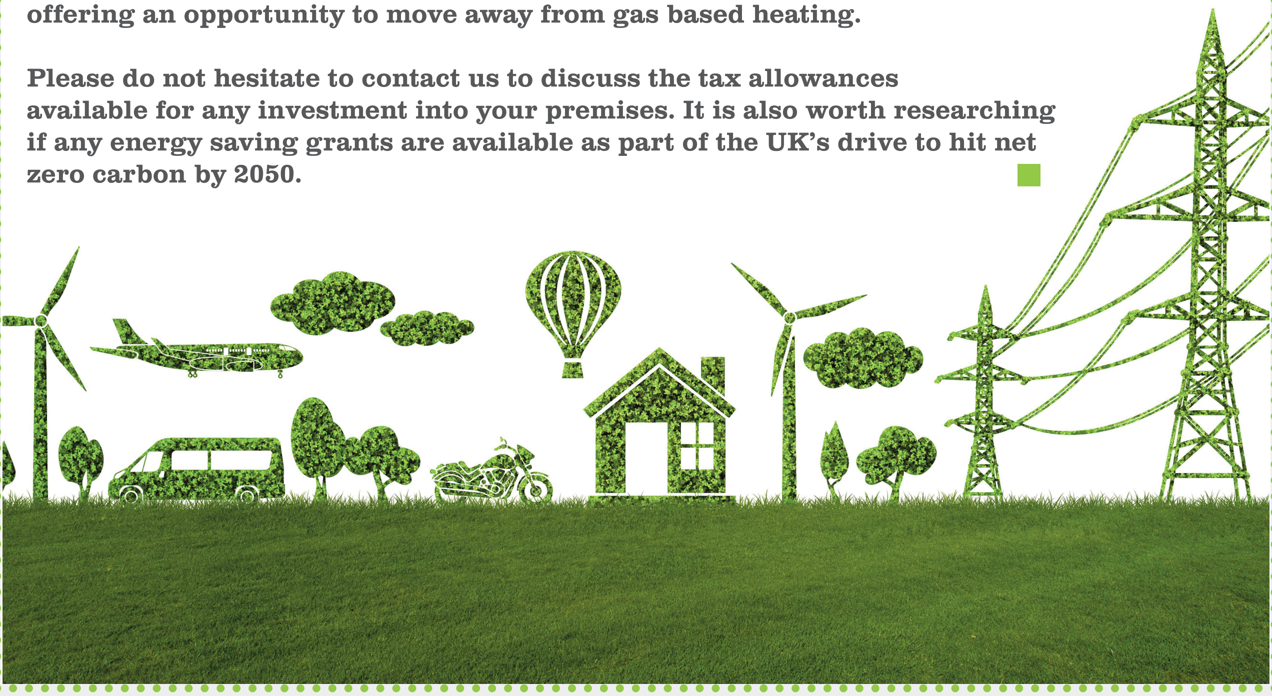
The most significant item of inflationary pressure is energy. This impacts businesses in particular as there is no price cap to protect them. However, unlike consumers, businesses do benefit from tax allowances when purchasing assets and this also applies to green technology.

An energy efficiency survey for your business is the best place to start and will identify the main areas where premises lose heat. These areas often require insulation or draught exclusion in order to minimise energy waste. From this, additional energy saving measures such as heat pumps, solar panels, boiler upgrades and other green technology can be considered.

These measures are worth looking into, as 30-40% of heat loss can occur due to poor wall insulation, or 25% because of an uninsulated loft space. Both offer potentially significant savings to energy bills.

Gas prices have seen much higher increases in cost than electricity and these face greater pressure with Russian threats to European supplies this winter. Bearing this in mind, alternatives to gas boilers are worth investigating with air or ground source heat pumps offering an opportunity to move away from gas based heating.

Please do not hesitate to contact us to discuss the tax allowances available for any investment into your premises. It is also worth researching if any energy saving grants are available as part of the UK's drive to hit net zero carbon by 2050.



Is it time to outsource?

Dentists make their money by selling time and expertise. Anything that can be done to save administrative time (nonchargeable) and increase the time spent in the Surgery (chargeable) will increase turnover and subsequently profit.

Generally, by the hour, outsourcing is more expensive than employing a member of staff to do the work but less expensive than the principal dentist doing the work. If I use finance as an example - a decent bookkeeper will cost you between £15 and £25 per hour, depending on where you live. A Practice Manager will cost you between £10 and £20 per hour, again depending on your location and their expertise. A principal dentists' hourly rate should be in excess of £200 per hour. Therefore, assuming the Practice Manager has capacity and the skills, getting them to help with the bookkeeping is sensible. However, as the principal dentist, don't spend time out of your Surgery to do the bookkeeping yourself when you would be in excess of £175 per hour better off by outsourcing it. The same goes for a whole host of other areas such as payroll, HR services, CQC compliance assistance etc.

In this world of ever increasing compliance it is very difficult to keep on top of every piece of legislation. For multiple practice owners this is much easier as you can have one person in charge of each part of the business so keeping the expertise in-house can make good commercial sense.

However, for smaller and single-handed practices, expecting the Practice Manager (or the principal dentist where there is no Practice Manager) to know everything is almost impossible. Outsourcing certain elements of the job can not only save you money but also give you peace of mind that you have the help of experts to keep you right.

Ultimately, there is no right or wrong answer here. Every practice is different and it will depend upon the ability and resources within your work force but if there are not enough hours in the day or certain parts of the job are stressing you out then outsourcing these specific areas can significantly improve your job satisfaction.

Contact Heidi Marshall on 01768 864466 or email heidi@doddaccountants.co.uk if you wish to discuss further. ■

Meet The Team

Contact: 01768 864466 or email helentyson@doddaccountants.co.uk

This month we're introducing you to Helen Tyson our Payroll Manager. Lots of you will already know Helen as she's been with Dodd & Co for over 16 years now. For those who don't - we've done a little Q&A with Helen to find out what she does and delve a little into her personality!

Give us an idea of your typical day:

I oversee the Penrith payroll team, dealing with payroll processing and queries for a variety of clients, covering an array of sectors from healthcare, agriculture, hospitality and professional services. We process payroll for approximately 850 clients, but we also assist many more clients who deal with their own payroll internally.

What's the best bit of your job?

Working in a great team and client interaction. Due to the frequent pay periods, we have much more interaction with clients on a regular basis, this allows us to build good relationships and we're lucky to work with some great people.

And the bit you maybe don't enjoy so much?

Keeping up to date with the ever-changing payroll legislation. There have been many changes to payroll over the last few years from automatic enrolment & workplace pensions, CJRS calculations, payslip legislation and the various NI contribution amendments. It certainly keeps us on our toes.

Top PAYE tip for clients?

Check your eligibility for employment allowance. If eligible, employers can reduce their annual employers' national insurance by £5,000. Some eligible employers still aren't claiming the employment allowance and are missing out on large amounts of money. You can also make a backdated claim for the previous 4 tax years if you discover you have missed claiming. However, some employers may not be eligible to claim if more than half their work is within the public sector, such as NHS services.

What's life like outside of work?

Making the most of where we live in the beautiful Lake District and very slowly ticking off the Wainwrights with my family.

Favourite Christmas tradition?

I love taking part in our Festive Park Run, 300 people in Christmas accessories and santa hats running round the local park.

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