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For immediate release*

Associate Limited Companies

Advice from NASDA's superannuation sub-committee

Many dentists have incorporated their business to reduce tax bills following the change in The Dentists' Act on 31 July 2006 which allowed dental services to be provided by a company. Dentists found they could shelter profits from high personal tax rates by trading through a limited company. The result was that their profits can be taxed at company rates of, in most cases, only 21% instead of at 40% or 50%.

If an associate incorporates, however, it has recently emerged that they cannot be a member of the NHS Pension Scheme. This is because the NHS Pension Scheme Regulations do not permit this. NHS Pensions has offered the following explanation to NASDA's superannuation sub-committee:-

"Whilst it is permitted for a GDS (or PDS Contractor) to incorporate and for the Providers (i.e. General Dental Practitioner shareholders) to remain in the NHS Pension Scheme there are no provisions for a Performer (i.e. Associate) to remain in the Scheme if they set themselves up as a limited company or similar.

When the Associate incorporates the contractual arrangements change in pension terms. The GDS (or PDS) Contractor sub-contracts with a company, rather than contracts with an individual, and the company sends the Associate to perform the work. Under The NHS Pension Scheme Regulations the limited company created by the Associate is not recognised as a type 1 Dental Practitioner."

NASDA's superannuation sub-committee consists of Chartered Accountants David Paul and Alan Suggett and NASDA's tax specialist Bob Cummings. For more information, contact Caroline Holland on 020 8679 9595 or 07974 731396