

## **Retiring practice owners could hit by rise in Capital Gains Tax**

There are several changes to the rules following the Chancellor's pre-budget report (Tuesday October 9th) which could affect dentists and for some it could be bad news, warns the National Association of Specialist Dental Accountants (NASDA).

Bob Cummings, a tax specialist and a member of the NASDA technical committee, commented: "The new rules which increase capital gains tax for business owners will hamper incorporation of dental practices as the opportunity to cash in on goodwill will be hit.

One of the attractions of incorporation so far has been that goodwill can be transferred into the company allowing the practice owner it to cash in on this asset and be taxed at a lower rate. However, the Chancellor's announcement will effectively raise the tax on goodwill from 10 per cent to 18 per cent thus significantly blunting this tax planning tool."

"This rise in Capital Gains tax will also hit dentists who are selling their practices on retirement. The tax payable on sale of the business will suffer the same increase."

"The Chancellor has also announced an attack on "income shifting". This may affect practices which have already incorporated as it will restrict Dentists' ability to shelter income from tax by paying Dental Company dividends to their spouse."

"A significant proportion of dentists who work in the UK are from overseas and have been able to claim "non-domicile" tax status. As a result they have been immune from taxation on their overseas investments. They too will be affected by a change in the rules."

He added: "Finally, all dentists are advised to review their wills as a result of changes to Inheritance Tax. But before you act in haste, make sure you speak to a NASDA accountant to get a specialist's insight into what all the recently announced changes mean to UK dentists."

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