



Stock, tax and two smoking barrels

Her Majesty's Revenue and Customs is undertaking more enquiries into the tax affairs of dentists and a common trigger for an investigation is the practice stock valuation. According to The National Association of Specialist Dental Accountants, stock valuations are one of the items most likely to be identified as problematic in the event of an HMRC enquiry.

NASDA is reminding clients that they should provide an accurate stock valuation at the year end. Chairman Nick Ledingham said that some dentists guess the value of their stock and come up with an unrealistically low figure. He said HMRC will investigate if they think the figure is estimated rather than the result of an accurate count.

Other common causes for an investigation are 'work in progress' and 'debtors'. HMRC likes all the fees in the tax return to correspond to the year when the work was carried out and the money earned. If outstanding work or fees are not properly valued and included in the accounts, HMRC are likely to be asking questions.

There have also been questions about free gifts to the practice, which should be added to the accounts as income or treated as benefits in kind when they are passed on to staff members. Usually, said Nick, queries of this kind can be quickly resolved by NASDA members.