



## **Practice-owners delivered double body-blow by Darling**

Clients of NASDA (the National Association of Specialist Dental Accountants) will be receiving both good and bad news following Alistair Darling's Pre-Budget Report. The good news is that in the short-term many dentists will be marginally better off. Tax on profits of £100,000 will go down by £696 in 2009/2010 compared to 2008/2009.

When the Chancellor of the Exchequer set out to kick-start the economy with a range of radical measures, his mind was on the big picture of the imminent global recession. It certainly wasn't on the business needs of dental practice owners. For them, the news is not so good.

The high-earners are in the category most detrimentally affected by the policy changes designed to breathe new life into the economy. Their earnings will go down as a result of both higher taxation and the loss of personal allowances while costs have gone up with the increase in Employer's National Insurance.

Bob Cummings, NASDA tax expert, of Morris and Co, specialist dental accountants, said that in just over two years, practice owners who earn more than £150,00, may be hit by the new 45% tax rate. They will also lose up to 20 per cent in personal allowances, making the effective tax rate 65 per cent on a slice of their income.

When it comes to National Insurance Contributions, employers will also face another 0.5% charge on employees' wages from April 2011. Self-employed National Insurance Contributions will also go up from April 2010. A year later, Class 4 NIC which is on the profits of the self-employed, will go up again. The changes will produce consecutive NIC increases of approximately £190 on £100,000 profits.

Dental companies will benefit in a delay to the proposed 1% increase in Small Company tax rates, which has been deferred from April 2009 to April 2010. The reduction in VAT does not directly affect dental practice income although some patients may feel that they have more money to spend at their dental practice as they pay out less VAT on many essentials. The cost of dental supplies and services will go down as a result of the lower VAT rate and this may even include the accountancy bill!

More substantial savings may be made on equipment purchases and surgery refits. The current average surgery spend of £40,000 can be analysed as follows.

|          |                |
|----------|----------------|
|          | VAT @<br>17.5% |
| Net cost | 34,042         |
| VAT      | <u>5,958</u>   |

|  |                |
|--|----------------|
|  | <u>£40,000</u> |
|--|----------------|

From 1 December 2008 the figures become:

|          |                |
|----------|----------------|
|          | VAT @<br>15%   |
| Net cost | 34,042         |
| VAT      | <u>5,106</u>   |
|          | <u>£39,148</u> |

Combined with the accelerated tax relief as a result of the changes to the Annual Investment Allowance earlier in the year, the cost of investment in the practice goes down, possibly providing a welcome pre-Christmas bonus for suppliers.