

+ ADVANTAGES

- +Possibility of a one off tax saving equivalent to up to 40% of the value of the practice goodwill on incorporation.
- +Possibility of splitting income with a spouse to "transfer" higher rate earnings to a lower rate taxpayer.
- +Possible annual savings on undrawn profits (Corporate tax rate of approx 20% as opposed to higher rate income tax of up to 50%).
- +Non dentists or GDC registrants can own all or part of the business.
- +Once an NHS contract is in a limited company, sale of the company can be achieved very simply. No need for PCT permission or "partnership route" on sale.
- +Protects ownership of the contract on death of a sole practitioner (as owned by the Company not an individual)

- DISADVANTAGES

- Extra annual costs.
- Much more red tape (and possibly frustration for the dentist in not fully understanding the technicalities!).
- PCTs can effectively prevent incorporation, or make it inadvisable (not a disadvantage, more a potential problem). Cunning schemes to get round this in my view don't work.
- Some commentators take the view that buyers will not wish to buy a company - they will only wish to purchase goodwill, equipment etc, so disadvantages could arise on sale of the practice.
- There can be a CGT downside and IHT disadvantages if the practice freehold property is kept out of the company (which it usually is).
- The tax treatment of partners/directors motor expenses is worse in a company.
- The definition of pensionable earnings for performer shareholders in a dental company is based on salary and dividends from NHS activities (as opposed to the conventional definition which is broadly based on 43.9% of all or part of gross NHS contract value). This could lead to a reduction in the expected amount of NHS pension. In the case of NHS associates who incorporate there is a total loss of NHS pension benefits.
- Income protection policies provide a reduced level of benefit when compared to self employment.
- In the case of limited companies some confidential financial information is placed on the public record at Companies House.

NB. This simple summary has not been devised in order to enable a dental business owner take a decision without a full consideration of individual circumstances.

The summary is a basic guide to the main issues which need to be considered.

Before taking a decision to incorporate dentists should discuss their individual circumstances with an accountant and lawyer with experience of dental incorporations.

If you would like advice in this area, please contact **Alan Suggett:**
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