Budget proposals thrash dentists

Dental principals are among the taxpayers likely to be hardest hit by the Chancellor’s Budget proposals, according to the National Association of Specialist Dental Accountants.

Mr Ledingham, said: ‘There will be little incentive for many principals, particularly those in NHS practices, to undertake additional work, despite the fact that the proposals are designed to kick-start the economy.’

He claimed that a dentist with taxable earnings of £120,000 in the current tax year, who earns an extra £10,000 in taxable profit in the 2010/11 tax year, will be asked to pay an additional £6,090, effectively a tax rate of 66.9 per cent.

Meanwhile, a dentist with taxable profit of £150,000 in 2009/10 will have to pay £7,600 if they earn an additional £10,000 profit in 2010/11.

Bob Cummings, NASDA’s tax specialist, said that when a person’s income exceeds £100,000 the personal tax allowance is gradually eroded and eventually reduces to zero as profits rise.

He added: ‘Dentists earning over £100,000 will therefore see their tax bills increase even if their profits remain the same. For those earning over £150,000, the highest income tax rate also increases from 40 per cent to 50 per cent.’

Mr Cummings predicted that dentists who had not incorporated might consider doing so because of the potential for reducing tax liabilities. But he stressed that all the pros and cons should be considered first and said: ‘I am sure all NASDA accountants will be working particularly hard to put in place tax strategies to ensure that their dental clients pay the minimum amount of tax legally possible.’

Mr Ledingham said: ‘It should be noted that in recent years not everything that the Chancellor has presented in his Budget speech has ultimately found its way into Statute. We will therefore have to wait until the Finance Act receives Royal Assent at the end of the summer before we know the final details. However, it is clear that the Chancellor is intent on increasing taxes and has his sights set on high earners.’

He added: ‘It is going to be particularly important over the next few years for dentists to ensure that they have access to high quality tax planning advice from people who are not only experts in the area of tax planning, but who also have an in depth knowledge of dentists and the business environment that they operate within.’