Michael Lansdell outlines the advantages of incorporation for an independent practice owned and operated by a dentist or partnership.

Most dentists are not primarily business people, so it’s not surprising that since the General Dental Council (GDC) altered the regulations to allow dental practices to operate as limited companies from 2006, there has been much speculation and misinformation circulating within the profession about whether to take this step.

**Limited Liability**

The use of the word ‘limited’ in the title ‘limited company’ refers to limited liability. While even in these parlous times, few dental practices are in danger of closing, the shareholders in a limited company have the security of knowing that their exposure to liabilities to creditors will never exceed their original share capital, usually between £100 and £1,000.

Another advantage of trading as a limited company is the higher level of credibility in many commercial negotiations or inter-business relations accorded to a company compared with a sole trader.

**Selling to a third party**

It is often easier to transfer the ownership of a practice trading as a limited company. This is because the company remains in existence unless it is dissolved or liquidated.

The PCT has been properly approached at the time of incorporation and the PCT contract has been transferred into the limited company without restriction. Experience shows that incorporated practices with PCT contracts are realising higher selling values than unincorporated practices, partly for this reason.

The process of incorporation and the resulting altered tax regime enables converting sole traders to use tax savings arising from incorporation to substantially increase their pension contributions without affecting their current quality of life, subject to the new rules on pension contributions for high earners.

**Tax benefits**

Other taxation benefits related to the differences between how individuals and companies pay tax and National Insurance depend on the individual’s income, which is effectively the practice’s profit in any given year.

For example, a sole trader making a profit of around £4,000pa better off after incorporation, just based on the rate differences alone (09/10 tax tables), before any other planning is done to significantly increase the amount of the total tax savings.

**Cash-flow benefits**

Converting to a limited company also has cash-flow benefits. Sole traders normally pay tax on their profits (income) in two instalments, with about half becoming due two months before the end of tax year and the other about half payable four months after the end of the tax year. Limited companies of this size do not make payments on account, and their Corporation Tax, as opposed to Income Tax, is not payable until nine months after the end of the tax year.

**Transform your practice into a newly formed company**

£100,000pa, and drawing out of the practice all of the profit, would expect to be about £4,000pa better off after incorporation. The existing business arrangements, bank accounts and supply contracts, for example, all stay the same under the new ownership, while the new owner of a sole trader practice would need to re-establish these relationships under his/her own name. This is especially important with PCT contracts, which should be unaffected, provided

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**Time to think in incorporation**

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**WEBINAR PROGRAMME**

**Endodontics**

- Dr Carol Tait

**Periodontics**

- Dr Trevor Bigg

**SDR**

- Sarah Murray and Baldeesh Chana

**Debridement**

- Dr Carol Tait

**Root canal system cleaned and shaped**

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When the practice is transferred to the newly formed company, it can often borrow to pay for the goodwill, which can amount to 100 per cent of the annual turnover of the practice. The interest on this loan qualifies for tax relief, and the capital sum borrowed by the limited company can be used by the dentist to reduce non-tax deductible payments, for example on his/her home mortgage. In some cases, the home mortgage can be paid off in its entirety, depending on the goodwill value.

Even if the company does not need to borrow to complete the purchase of the practice, it is possible for the dentist as both shareholder and company director (employee) to draw from the company a combination of salary, dividends, and loan repayment, to reduce his/her personal tax liability to zero, for a number of years after incorporation. Corporation Tax on the practice’s (now the company), profits is of course still paid, currently at a rate of 21 per cent on profits up to £300,000.

A family business
Legislation to curb “income splitting” has been deferred for now. However, other family members, often a spouse employed to manage appointments or other aspects of administration, assist many dentists acting as sole traders in the running of their businesses.

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WEBINAR PROGRAMMES

Endodontics
Dr Carol Tait
Key concepts to aid competent cleaning and shaping of the root canal system
19:30, 5th October 2010
Obliteration of the cleaned and shaped root canal system
19:30, 2nd November 2010
Periodontics
Sarah Murray and Baldeesh Chana
Root Surface Debridement
19:30, 27th September 2010
19:30, 8th November 2010
SDR
Dr Trevor Bigg
Smart Dentine Replacement
19:30, 24 October 2010
19:30, 10 November 2010

About the author
Michael Lansdell was brought up in South Africa, receiving his honours degree there in 1981. He completed his training with international accounting firm Deloitte in 1984, and went on to become a founding partner at Lansdell & Rose Chartered Accountants (SA) a year later. Based in Kensington, London, Lansdell & Rose deal only on a long-term retained basis, exclusively with owner-managed clients, generally dentists and doctors, and specializing in the incorporation of dental practices. As a forward-looking team, they look for sustainable long-term solutions for their clients that maximise profits, minimise tax and build wealth. For more information, visit www.lansdellrose.co.uk or call 020 7376 9333.

‘If these family members also become shareholders in the new company, advantage can be taken of other allowable tax mechanisms to further reduce the overall tax liability.’

Offshore structures
For higher earners not domiciled in the UK for tax purposes, there are more sophisticated tax-planning techniques that make use of offshore structures. If you fall into this category, (and your domicile in this context is not necessarily the country in which you live or hold a passport from!), you need to take specialist advice to optimise your tax position.

It’s evident that all dentist sole traders and dental partnerships, whether or not they are currently considering incorporation, would benefit from a review of their status which compares their present position with that after the formation of a limited company. There is, quite literally, nothing to lose.

At the same time, incorporation is not necessarily appropriate for every practice. The ultimate decision, after considering specialist, professional advice, must take into account the individual dentist’s present business circumstances, personal position and preferences and also, where relevant, his or her future plans.
Tightening security
Make sure you and your team are protected, says Bob Khanna

Society in general is becoming more litigious. A recent study from one of the UK’s dento-legal indemnity providers suggests that dentists and practitioners are among some of the most at risk in the world when it comes to legal action from patients. It is believed that the figures in the UK are even higher than those of the US.

It is possible that a practitioner may find themselves on the unpleasant receiving end of a complaint at some stage in their career, be it an irate phone call to a practice manager, or in the worst possible case, legal action. While an upset phone call or visit from a dissatisfied patient, whether aimed at yourself or a member of your team, is unpleasant enough, receiving legal action from a patient is every practitioner’s worse nightmare.

Essential cover
With this in mind, ensuring that you are protected with professional indemnity insurance cover, which offers comprehensive cover to perform procedures using products such as Botulism Toxin, dermal fillers and other rejuvenation treatments is a must.

On some occasions, patients come into the clinic with unrealistic expectations as to what can be achieved. While it is the professional’s responsibility to inform the patients what they can realistically expect, it is sometimes the case that the patient simply doesn’t understand, and then is disappointed with the final result.

This may not be down to the professional’s actions. It can simply be a case of the patient either misunderstanding, or choosing not to listen to the professional’s honest advice about treatment, instead preferring to see it as a ‘miracle-cure’.

About the author
Dr Bob Khanna is President and founder of non-profit organisation The International Academy for Advanced Facial Aesthetics (IAAFA). He is the appointed clinical tutor in facial aesthetics at the Royal College of Surgeons and has trained thousands of dentists and doctors through the Dr Bob Khanna Training Institute. For more information about Dr Bob Khanna, call 0118 9606 930 or visit www.drbk.co.uk.
Recently, on a trusted recommendation, I attended a small private hospital in the South East of England (a 500 mile round trip from my home), to have a consultation with a specialist and to participate in some tests.

The fee for the time I spent in the hospital was around £1,700, and the outcome (apart from a chat and a couple of short emails), mainly consisted of an estimate for the treatment that they had offered to me. Although I was grateful to be given a solution, albeit an expensive one, the process I went through to get it irritated me. Most of us are too impatient for the consultation process, although we accept that a consultation is a necessary step toward finding a solution or providing an outcome to our situation. That's why carpet fitters, for example, write ‘Free Estimates’ on the side of their vans – they know that their clients don't really want to pay for them. However, the carpet fitter needs to size up the job, decide the way forward, offer an estimate and close the sale, much like a dentist.

Boosting patient experience

Now, I'm not an advocate the offering of free consultations – I've always believed people don’t value what they don't pay for. Look at the number of missed appointments in NHS GP surgeries and hospital out-patient clinics. However, paying for a consultation can leave the patient feeling grumpy too, unless you can turn the experience into one which genuinely adds value to the patient.

So, how can you do that during a new patient consultation in a dental practice? Let me tell you a little bit more about my private hospital experience and I think you will see the parallels with a dental practice. During my visit, they ran late and I wasn't told how long I might have to wait or how long the consultation would take, so I couldn't easily arrange to do anything else with my time.

At no point did anyone explain to me how they conducted their consultations, what might happen, how long it might take and what I could expect at the end. I felt that my presence in their clinic was mostly to allow them to reach whatever conclusions they could. Part of this deal was that I would behave like a good patient and do whatever was asked of me as I was poke and bled! I felt my experience was a win for them, but a loss for me, particularly financially. They hadn't made it clear what the value of a consultation would be, and I left the clinic with the very same symptoms that I arrived with.

Communication is key

So, in order for your patients to leave your new patient consultations feeling satisfied with their appointment, I suggest that you consider some of the following ways to make a patient’s initial consultation feel like a valuable experience.

1. How your new patient consultations are structured, both in advance of the visit and on the day
2. How long the whole visit will take
3. How you will communicate the outcomes, treatment plan/solutions that you will be offering
4. To inform the practice staff if they are experiencing any pain or discomfort, you will then have time to offer any first aid or temporary solutions to relieve their symptoms
5. That they will receive a thorough verbal and written expla-

Informing patients about new treatments can help to boost the patient experience.
nation of their diagnosis

When you offer patients a treatment plan:
1. Provide any information sheets that you might have on their diagnosis or the treatment that you are offering them and include other useful sources, such as website address etc.
2. Show them any visual aids you have, including videos ‘before and after’, testimonials, for example, to help them increase their understanding and give them confidence that you can deal with their problem
3. Tell them what to expect, during the treatment, and how they might feel afterwards including: whether they can/can’t drive, whether they should be accompanied, whether they can expect to go back to work and function properly
4. Tell them how long the procedures will take (in terms of car parking/time away from the office, out of mobile contact purposes)
5. Accurately explain what the costs are likely to be in order to reach the solution/outcome they are seeking

4. Tell them when payments are due and how you accept payment. If you offer credit facilities, this is a good time to tell the patient
5. Tell them how long the procedures will take (in terms of car parking/time away from the office, out of mobile contact purposes)
6. Tell them what to expect, during the treatment, and how they might feel afterwards including: whether they can/can’t drive, whether they should be accompanied, whether they can expect to go back to work and function properly
7. Tell them what will be expected of them before, during and after the treatment in terms of managing their eating/work/social life
8. Give them a chance to ask questions in private and not at your front desk
9. Dedicate one of your team to them as a point of contact so that once they’ve had a chance to discuss their visit with family and friends, they can ask more questions or voice their fears.

‘Dedicate one of your team to them as a point of contact so that once they’ve had a chance to discuss their visit with family and friends, they can ask more questions or voice their fears.’

My private hospital experience got a lot better once I discovered that they had a ‘patient liaison office’, which although seemed like a well-kept secret, they were willing and able to answer my questions. Eventually, their patience enabled me to say yes to their proposed treatment plan and my symptoms are now getting better.

So, how about establishing a version of the ‘patient liaison office’ in your practice, or dedicating a member of your team to be a patient coordinator/care nurse who will help new patients understand more about what is entailed in their treatment, and therefore more readily accept your treatment plans.
Options for young dentists

Geoff Long looks at the professional outlook for those starting out

Over the past four years, we have seen the pool of independently owned practices in the UK dwindle. This has been brought about by aggressive purchasing by the corporates and strict funding control from the PCTs for new start ups. It is not surprising that options for young dentists are somewhat limited working as an associate for 35 per cent or £9 a UDA. I can see the day coming when associates will be working for corporates for as little as £5,000pm as they do in South Africa.

Dentists become used to crises, moan a little and absorb their problems into the great British characteristic of “putting up with it”. However, given the popularity of dentistry, there is no great wave of public sympathy about to solve the problems for young dentists.

Disparity between the wages of nurses and dental nurses is a telling example of the unpopularity of dentistry and public support for nurses.

It is worth looking at the wealth accumulation ability of dentistry. We took a sample of 1,000 dentists, split roughly 400 principals to 600 associates. Why that split is probably down to the effect of corporate dentistry swallowing up the larger three or four chair practices. The results were remarkable:

Millionaires in dentistry

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<tr>
<th>Percentage of Millionaires – principals</th>
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<th>Percentage of Millionaires – principals</th>
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Of the 54 per cent of principals who were millionaires all but two made their money from dentistry. The usual story was one of hard work and not spending the money! The average age for hitting the elusive million was 50. Incidentally, the two associates made their million out of property and shares.

Looking to the future, the ambitious young dentist will find it more and more difficult to make a million pounds out of dentistry. It is not surprising that one of the most common questions I am asked as a dental accountant is, ‘How do I earn a living outside of dentistry?’

The answer is: ‘Not easily!’ Nevertheless, I have compiled a list of businesses/occupations of some of the self-made millionaires to help young dentists with career planning.

Businesses/occupations of self-made millionaires:

- Agriculture
- Antique Sales
- Artist-Commercial
- Attorney-Audio/Video Reproduction
- Author-Fiction
- Author-Text Books/Training Manuals
- Automotive Leasing
- Baked Goods Producer
- Beauty Salon(s)-Owner-Manager
- Beer Wholesaler
- Builder/Real Estate Developer
- Commercial Laundry
- Cafeteria Owner
- Clinical Psychologist
- Coin and Stamp Dealer
- Business/Real Estate Broker/Investor
- Computer Consultant
- Developer/Construction
- Engineer/Architect
- Farmer
- Fast Food Restaurants
- Florist
- Investment Management
- Jewellery Retailer/Wholesaler
- Engineering
- Lecturer
- Marina Owner/Repair Service
- Medical Research
- Micro-Electronics
- Motor Sports Promoter
- Nursing Home
- Patent Owner/Inventor
- Physician
- Plastic Surgeon
- Publisher of Newsletters
- Printing
- Publishing
- Scrap Metal Dealer

About the author

Geoffrey Long FCA is a specialist dental accountant based in Hertfordshire. Geoff has over 15 years experience managing dentists’ accounts and is recognised for his proactive approach to dental taxation and business problems. Call him on 01438 722224 or email office@dentax.biz.
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Join the Social Media Revolution!

Jodie Tisson looks at why dental practices should be making the most of social media and how it can be used to promote your practice and increase communication with both colleagues and patients.

It seems that in recent years, social media sites, such as Facebook and Twitter, have been coming on leaps and bounds, and it is easy to understand their popularity when it comes to networking with friends and relatives. But for many people the business benefits of such forums is often less clear. So what do you need to know? The following tips are designed to give you all the information you need to choose the best social media outlets for your business, and to show you how they can help you market your practice, create brand awareness, network with colleagues and increase communication with your patients.

Is it for you?

With social media becoming so popular, and the economy forcing everyone to be on their toes, dental practices should try and explore every option to help them increase patient numbers and maintain the patients they have. Not only can social media allow you to share all your latest news and information with colleagues and patients, but the real-time nature of online updates can cause a real buzz and interest in what you have to say. Furthermore, users can interact and comment on your messages, giving you a sense of what the people that matter to you and your business really think. It is important however, not to be too sales oriented when using any form of social media - if your followers feel they are being sold to they will often switch off.

Social media is also a great way of increasing traffic to your website, as the more networking you do, and links you have going to your website, the higher your ranking will become on search engines such as Google. This means that when a potential patient searches for a dentist in their area, your practice is far more likely to be at the top of that list. It also means that there are more opportunities for people to visit your website, as you can put a link to it on any social media sites, as well as any key messages you want to get across.

Denplan has recently undertaken a number of social media ventures to enhance its offering even further and I think the following sites are a great place to start for any dental practice interested in joining the social media revolution.
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