Do new NHS UK pension scheme rules signify end of associate incorporations?

Penny Bowen details changes in NHSPS

I have written this article because I want you to think about this now, and take action if you need to. When you retire you will have the time to sit and think about the money you have lost, but then it will be too late to do anything about it.

Dentists have been allowed to run their businesses as limited companies since July 2006, and over the years a significant minority of dentists have taken advantage of the opportunity to incorporate, and so taken control over their personal tax liabilities.

The introduction on 6 April 2010 of a 60 per cent income tax band for incomes between £100,000 and approximately £112,950, rising to £114,950 on £100,000 and approximately £2010 of a 60 per cent income tax liabilities.

The NHSPS offers considerable benefits which it would be foolish to give up:
- An annual (index linked) pension and tax-free lump sum at retirement
- Life Assurance benefits in the event of the member’s death
- An annual (index linked) pension and tax-free lump sum at retirement

From a tax point of view incorporation is attractive because it gives you an opportunity to base your tax on what you earn rather than on what you draw. Earnings are still taxed of course, but these are will be based on what you draw – to take the extreme case if you don’t draw anything then you won’t pay any personal tax.

The methods of drawing money from a company for personal use are many and most practitioners use a combination of salary and bonus, benefits in kind, dividends, rent (although this would have an impact on a subsequent claim for entrepreneur’s relief), drawings from the director’s loan account and interest thereon.

Until 7 November 2011, you must draw all the NHS income from the business in the form of salary and/or dividends in order for this to count as pensionable earnings. Any NHS income that is not taken but left in the business cannot be pensioned now or in future years. Dividends are pensionable however they must only be in respect of NHS work, so technically the private element of a dividend must be stripped out leaving only pensionable NHS dividend income.

Incorporation remains increasingly attractive to associates working in purely private practices, but things are not so good for those with NHS income.

According to A Guide to the NHS Pension Scheme published in September 2011, because the NHSPS regulations to not recognise the sub-contracting relationship between the associate and the limited company,

‘A Performer [associate] who sets them self up as a limited company cannot be a member of the NHSPS with effect from the 7th of November 2011. This is subject to Parliamentary approval however (pensionable) Performers are advised to put arrangements in place by this date to ensure they can comply.’

It is reassuring to note that NHSPS membership will continue until 6 November 2011, however, you need to take action now to make sure you remain in the NHS Pension Scheme and so retain for yourself and your family, its generous benefits.

‘The truth is that the non-specialist accountant does not know that there is a problem, never mind how significant it is’

**Hands-On Restorative Training**

This comprehensive hands-on and theory based modular course which is completed over 12 days, aims to enhance and develop the knowledge and skills of each clinician, above and beyond their current practising techniques.

**Topics Include:**
- Functional occlusion and general practice
- Minimal intervention, adhesion, anterior/posterior direct and indirect composites.
- Smile design – fundamentals of aesthetics
- Advanced treatment planning, plastic periodontal surgery and implant dentistry
- Individual module option also available

**Contact for details**

**Fee £325 + vat per day**

**Starts January 2012**

Course fees payable by instalments. A 5% discount will be provided if full payment is made one instalment. A deposit of £200 + VAT will secure your place on the course. Cheque should be made payable to “The Centre for Advanced Dental Education Ltd”

**Confidence Restored**

www.therestorativecourse.com

**Call Penny Bowen on 01844 260111 or email penny@dbs.org.uk to find out more.**

The truth is that the non-specialist accountant does not know that there is a problem, never mind how significant it is.