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 6 April 2011, and a new top rate of 45 per cent on profits of less than £500,000, once the corporation tax is paid, any further tax 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/or dividends in order for this to count as pensionable income. 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 do 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.*

Penny Bowen details changes in NHSPS

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**About the author**

A Fellow Chartered Certified Accountant and Chartered Tax Advisor Penny has over five years’ experience working exclusively for dentists and practices in all areas of taxation services. Penny is an expert and up-to-date knowledge of UK tax legislation and advises dentists, therapists and hygienists throughout all stages of their careers. This involves managing their tax liabilities through services such as tax savings on building works, practice acquisition or disposal and practice incorporation. In addition to this, Penny specialises in assisting clients with questions about the NHS superannuation scheme. Call Penny Bowen on 0844 200 1111 or email penny@dds.org.uk to find out more.