With many dental practices now trading as a Limited Company, Jeff Williamson from specialist dental accountants PFM Townends considers how such status affects your exit strategy from the business.

**Selling an incorporated business? How do you get the money out?**

Jeff Williamson looks at your options...

**Asset sale**

For the purposes of this article we are considering a Company that has sold its assets and the bank account.

**Second time around**

For the vast majority of cases this will have been the second time that you have sold your business, the first being the incorporation of your self-employment business.

Indeed the proximity of your business sale as a Company to the date of your original incorporation is crucial, as it will have been any appreciation in the value of the Goodwill over that period.

**Corporation tax**

The Company will pay corporation tax on the uplift in value of the Goodwill since incorporation. Remember that because you were “connected” at the time of incorporation you have been unable to claim any tax relief for the annual amortisation or writing down of the Goodwill so your base cost is unaltered for tax purposes.

If, however, you set up a Limited Company and purchased a Practice from an unconnected third party, you were able to claim tax relief on the annual amortisation of the Goodwill. So when the Company sells its Goodwill it will pay tax on the proceeds less the unamortised amount of the original Goodwill.

**Options**

1. **Director’s loan account**
   - Repaying your Director’s loan account will not incur any tax so do this first.

2. **Dissolve the Company**
   - Extra Statutory Concession C16 is no longer available so you will probably have to undertake a solvent liquidation of your Company. You will need a firm of Insolvency Practitioners and the likely cost is £1,500 to £2,500.

   The reserves paid to you, as the shareholder, will be taxed as capital and so long as you don’t delay, the distribution should qualify for Entrepreneur’s Relief and therefore 10 per cent capital gains tax. This is a second tax charge on the sale proceeds!

3. **Dividend stream**
   - The company could pay the reserves out to the shareholders over time as dividends. If you are a basic rate tax payer then there is no tax to pay on dividend income, unless of course the dividend pushes you beyond the basic rate threshold where you would then pay 25 per cent income tax on the (net) dividend received.

   If subject to other income levels, dividends may avoid tax altogether but it will take longer to move the money out of the Company. If you retire at 55 you might consider deferring potentially taxable pensions until age 60 and drawing dividends for five years. This route can be especially useful where both spouses own shares.

4. **Reinvestment within the Company**
   - You always have the option to keep the Company going and purchase another business or perhaps invest in property without suffering the exit tax.

   You may be able to claim Reinvestment Relief if you use the Goodwill sale proceeds to purchase new Goodwill of another business and this will enable you to defer the corporation tax arising on the original sale.

   This can open up several planning opportunities for accumulating capital and involving your children as shareholders to begin planning for Inheritance Tax.

**Conclusion**

Selling your business is just one component of your retirement plan. It definitely pays to have clear tax advice alongside pensions and investment advice to ensure available reliefs and allowances are fully utilised. Early planning is strongly advised.

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Shareholders are contemplating how to deal with the sale proceeds sitting in the Company bank account.

**About the author**

Jeff Williamson is a chartered accountant and leads the dental team at PFM Townends LLP. PFM Townends LLP provides specialist dental accounting services for associations and practice owners. To contact Jeff and his team call 01904 656083 or visit www.pfmdental.co.uk.
That was painless!
Brian Carter explains why finance really can benefit both the practice and the patient

As he brushed his teeth, John looked forward to the morning with a sense of foreboding. Not only did he have a visit to the dentist to look forward to but it was also a new dentist – what would he be like? John had called into the practice when he moved to the area 20 years ago and had gone there ever since. Dr Down had been an NHS dentist when John first went to the practice. John understood that Dr Down had recently provided some treatments on a private basis but what they were and why he offered them John was not quite sure – Dr Down had not been a great communicator.

There was one occasion when Dr Down had talked to him about a private treatment but it was in medical terms and he hadn’t really understood the benefits. When Dr Down finished by saying: ‘I don’t expect you want that anyway’, it made his decision easy – John didn’t have it.

However, John had become comfortable with the practice – he had even got used to the receptionists who barely looked up from behind their ‘barricade’ before directing him to one of a row of seats that had not been changed in the 20 years he had been attending. John wondered what the receptionists’ names were.

He took one last look in the mirror. He was not blessed with the whitest teeth and there were a couple of crooked ones at the top but he looked after them and they were all his own!

When John arrived at the practice he briefly thought he had come to the wrong place. The floor tiles had been replaced with carpet. The wooden chairs had been swapped for armchairs. The newspapers and magazines were up to date and a tea and coffee machine had replaced the old water dispenser.

Most importantly, the ‘barricade’ had been replaced with a desk. The two receptionists, each in smart new uniforms, both looked up with a smile and a ‘good morning Mr Phillips’ when he entered. Their badges said ‘Jenny’ and ‘Sue’ – so they do have names!

They introduced the patient to the new £300,000 Optima autoclave. They explained that as well as being on the market for some time, Dr Down had found the Optima to be very reliable and had thought it a good investment.

John sat down as requested and noticed there was a new flat screen TV on the wall introducing various treatments that were available and how you could spread the cost if required – that seemed a good idea. He had only been looking at the screen for a couple of minutes when another smiling young woman came and introduced herself as the new receptionist.

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Sterilizing? What would you choose?

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Initially John became a little apprehensive – this was completely different to what he was used to. However, he was very pleased and within a couple of minutes he was telling her of his concerns about the colour and unevenness of his teeth. He had never discussed such issues before and Dr Down had never asked him.

As soon as they had finished, Patricia took him into the treatment room and introduced him to the dentist – Peter Johnson. Another smile and a pleasant ‘good morning’ – he had entered a whole new world! Peter explained that he would initially carry out an examination and then consider any specific concerns he had discussed with Patricia. Having performed the examination and taken some X-rays, Peter considered the unevenness of John’s teeth as well as the discolouration.

He explained that tooth whitening and an invisible brace on the top jaw could resolve these issues. These treatments were not available on the NHS but could be carried out on a private basis and the total cost would be £2,000.

Whilst the treatment suggested sounded great and he would love to have it done, John had been a bit taken aback by the cost and said he would need to think about it. He thought to himself that he would not be able to pay that sort of sum at the current time.

As if reading John’s mind, Peter said he didn’t need to pay all in one go as there were many options for spreading the cost that Patricia would explain in detail. John recalled the message on the TV and thought it well worth considering.

Once Peter had finished, Patricia took John back to the side room and after ensuring he didn’t have any further questions about the treatment itself, she explained the finance facilities. A range of options was available. Interest-free finance was available over twelve months and the monthly repayments would be £166.87. Alternatively, he could spread the cost over a longer term. If he did this John would need to pay interest at a rate of 9.9 per cent APR but the monthly payments would be lower. Over the longest term of 60 months the payments would be as low as £42 per month – less than £10 a week!

Based on these figures John could easily finance the total cost of the treatment. In actual fact he was just paying off a loan for his furniture so a similar monthly repayment would virtually go unnoticed. Patricia also pointed out that if he paid a deposit the monthly repayments would be lower still.

Suddenly John’s concerns regarding affordability disappeared. He realised he could easily afford the treatment by spreading the cost and pictured looking into the mirror with straight white teeth. All those years of not being happy with his smile would be behind him – John would be able to smile without worrying about it!

John decided to pay a £200 deposit and finance the balance on an interest-free basis over 12 months with a monthly payment of £150 – an amount that was readily affordable given his salary. John completed a straightforward application form for the finance and Patricia booked him in for his next appointment to get the treatment underway. It was all very painless.

As he left the practice, John considered what a difference the whole experience had been – he would have to mention this to his friends!

NB: Although this story is based on actual case studies, all names are fictitious.

About the author

Brian Carter has been a director at Dental Finance since 2004. The company provides consumer finance facilities, primarily in the dental sector. It offers finance plans to increase treatment take up, patient satisfaction and improve practice profitability. Previously, Brian worked at Barclays Bank and then First National Bank in various management roles. He is an Associate of the Chartered Institute of Bankers (ACIB). For further information, please contact Brian Carter at Dental Finance on 07901 951521 (direct line) or visit www.financingfirst-dental.co.uk