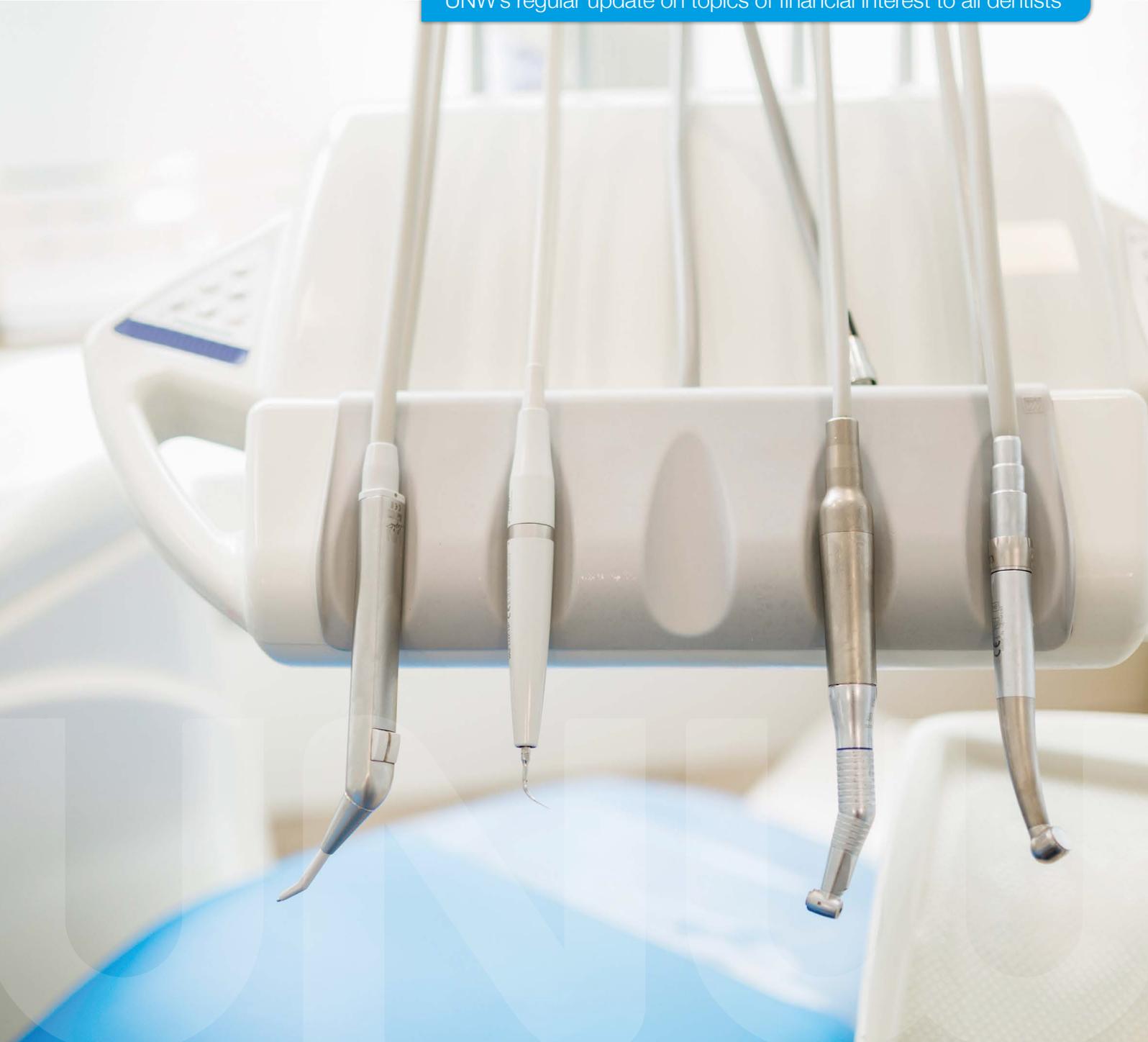


UNW's Dental Business Unit

Dental Bulletin

UNW's regular update on topics of financial interest to all dentists



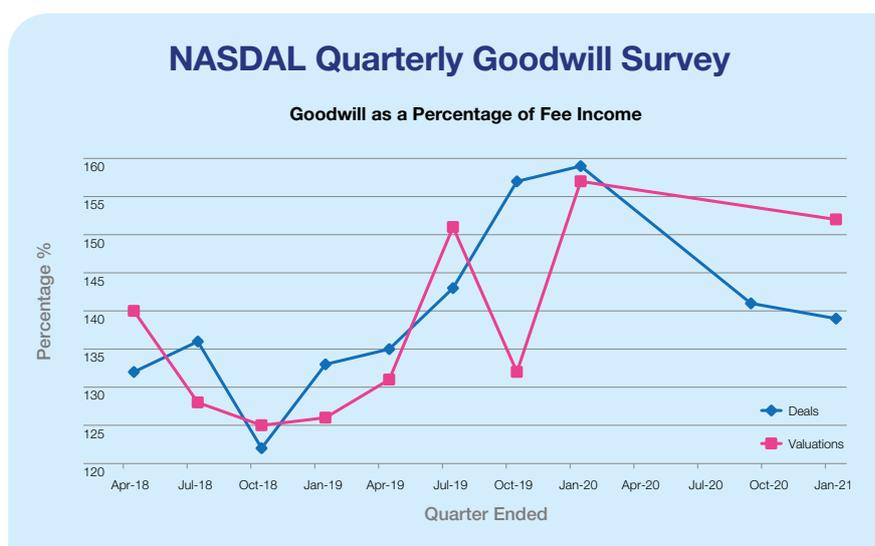
NASDAL Goodwill Survey – enthusiasm continues

The latest NASDAL goodwill value statistics were announced in late March 2021. These are normally produced on a quarterly basis, but due to the pandemic the latest figures cover the four months that ended 31st January 2021.

Against what many expected, the latest period showed very little price reduction due to the pandemic. As with the last survey (which covered the period from 1st April to 30th September 2020), in NASDAL members' experience, there have been only limited price reductions, but considerable lengthening of the sale process.

Alan Suggett, specialist dental accountant and partner at UNW who compiles the goodwill survey, said, "These figures certainly show that the UK dental practice sales market is not the nightmare that some commentators predicted! Evidence of deals done in the last few months is only of a 'softening' of pre COVID values, as opposed to a collapse. It is encouraging that large corporate buying enthusiasm for both large NHS and Private practices continues unabated, and smaller practices are being sought after by associates who would like to control their own destiny. Lender enthusiasm is still very strong, but unfortunately some lenders have more restrictive lending parameters than pre COVID. Hopefully that will ease as we come out of the pandemic."

The goodwill figures are collated from accountant and lawyer members



Goodwill as a percentage of turnover PE 31/01/2021

Actual deals	6 months to Sep 2020 %	4 months to Jan 2021 %	Range %
NHS Practices	172	140	46-292
Private Practices	120	104	51-198
Mixed Practices	124	163	52-332

of NASDAL in order to give a useful guide to the practice sales market. These figures relate to the four months ending 31st January 2021. NASDAL reminds all that as with any averages, these statistics should be treated as a guideline only.

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Some reflections on the (first) 2021 Budget



UNW tax partner Charles Linaker, whose firm's Dental Business Unit, headed by NASDAL technical committee member, Alan Suggett, look after more than 500 dentists, offers his comments on what should prove to be the first of two Budgets this year.

Rishi Sunak has been Chancellor of the Exchequer for barely a year and, during that time, has shown himself to be pragmatic and flexible in his response to the demands of the pandemic. With the latest Budget his scope for manoeuvre was limited by needing to adhere to his party's manifesto commitment at the last General Election not to increase the rates of Income Tax, NIC or VAT.

So, he had to look for other ways in which to raise revenue and broadly adopted two approaches.

The first was to announce an increase in the rate of corporation tax from 19% to 25%, while postponing its implementation for two years until April 2023. Historically and philosophically, this was a quite remarkable step for a

Conservative Chancellor to take. The last occasion when corporation tax rates were increased was in the 1973 Budget (seven years before Sunak was born) when, faced with the oil crisis, Edward Heath's hapless Chancellor Anthony Barber increased the mainstream rate to what seems now an eye watering 52% (where it remained incidentally for the next ten years).

The new 25% rate will apply to companies with profits over £250,000. But of more significance to many dentists who operate wholly or mainly through limited companies is the simultaneous introduction (or, in fact, re-introduction) of a 'small profits rate' of 19% where profits

are below £50,000, with a tapering calculation on profits between that figure and £250,000 which produces an effective marginal tax rate of 26.5%.

Dentists who have become used to drawing most of their 'remuneration' from companies by way of dividends may need to revisit their overall tax calculations from 2023.

The tax rate increase was coupled with a temporary "super deduction" of 130% on plant and equipment

“ However, despite speculation (including mine admittedly), the Chancellor chose not to increase rates of Capital Gains Tax, confining himself only to freezing the annual exemption at £12,300 until 2026.

investment made by companies between 1 April 2021 and 31 March 2023. But that was perhaps no more than a realistic recognition that, without such a move, companies might be tempted to postpone capital spending until the new rate arrived. With the super deduction being set at this level, the effective rate at which tax relief is obtained will be very close to 25% and for dentists this should apply broadly to any outlay which would currently qualify for the 100% annual investment allowance. So, a dental chair will meet the criteria, but not an electric car.

The second approach was to introduce an effective rise in personal taxes by returning to what became a feature of Gordon Brown's New Labour Budgets under the collective label of "stealth tax" whereby, while personal rates of tax did not increase, the range of personal allowances and thresholds above

which those rates apply remained fixed, so that inevitably more taxpayers are gradually brought into higher rates.

After slight increases to both the personal allowance and the higher rate threshold for 2021/22, these will then both be frozen until 2026, meaning that many junior or part-time dentists will be sucked into the 40% band and, those with children, an effectively still higher tax bracket, because any child benefit received will start to be clawed

back under the High Income Child Benefit Charge (a decidedly unfriendly family measure which was introduced by George Osborne in 2013, has remained unchanged since and which still catches out unsuspecting parents).

Similarly, the income threshold above which one's personal allowance starts to be clawed back remains frozen at a level of £100,000 until 2026, so that yet more existing 40% rate dentists will suffer an effective rate of 60% on any income falling between £100,000 and £125,140.

Again, those dentists operating through companies have the facility to structure their taxable income so that it remains below the level of £100,000, thus preserving their personal allowance, but this option is denied to their self-employed colleagues operating through partnerships, or as principals or associates.

The stealth tax measures were completed by freezing until 2026: the £150,000 limit above which the Income Tax rate becomes 45%, the Inheritance Tax exemption threshold at £325,000 (where it has remained since April 2009, when Labour's

Alistair Darling was still Chancellor) and the Lifetime Allowance for pensions of £1,073,100 (the maximum amount that a person can save in tax advantaged pension schemes before extra tax charges arise on drawing benefits). This last measure could cause some dentists in the NHS pension scheme to review their plans and retire earlier than they might have done otherwise, which would hardly be a welcome consequence on health and welfare policy grounds.

However, despite speculation (including mine admittedly), the Chancellor chose not to increase rates of Capital Gains Tax, confining himself only to freezing the annual exemption at £12,300 until 2026. Possibly he took the view that anything further, coming so soon after the dramatic reduction in the Entrepreneurs' Relief lifetime allowance from £10m to only £1m in his first Budget, would provoke uproar on his back benches.

But it is worth bearing in mind that the Office of Tax Simplification had proposed only a few weeks ago that the annual exemption should be reduced to between £2,000 and £4,000, which would have rendered many more investment transactions liable to CGT, and it remains to be seen whether Rishi Sunak will consider increases to CGT rates, bringing them more into line with Income Tax rates. If he is to go down this road, one would expect an indication of this in the next Budget set for this coming autumn (remembering, of course, that the recent Budget was postponed from autumn last year).

In my view, Capital Gains Tax remains an obvious target for change. Watch this space.

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A date for your diary...



BDA Online event - Preparing for retirement

A comprehensive and independent guide to retirement planning

Tuesday 15 June 2021

As part of the BDA's upcoming 'Preparing for retirement' online event on 15th June 2021, Alan Suggett will be delivering a presentation entitled 'Maximising value, and minimising tax, when you retire'.

Alan will cover the following topics;

- Tax planning for employed, self-employed and incorporated dentists
- Tips for making sure your NHS pension is correctly recorded
- Maximising practice sale proceeds
- Taxation of your retirement income
- Actions to take now for a tax-efficient retirement.

For full information and registration details, please click the following link:
<https://bda.org/events/seminars/preparing-for-retirement-online-june-2021>



BUSINESS CONFIDENCE FORUM

Business Confidence Forum

Alan is a regular panellist on the Business Confidence Forum hosted by Dental Business Coach Chris Barrow. The fortnightly panel discussion and Q&A brings together key opinion leaders in Dentistry, answering your questions and debating hot topics.

Further details can be found here:
<https://www.coachbarrow.com/bcf>

Follow Alan on Twitter:



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Any questions?

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