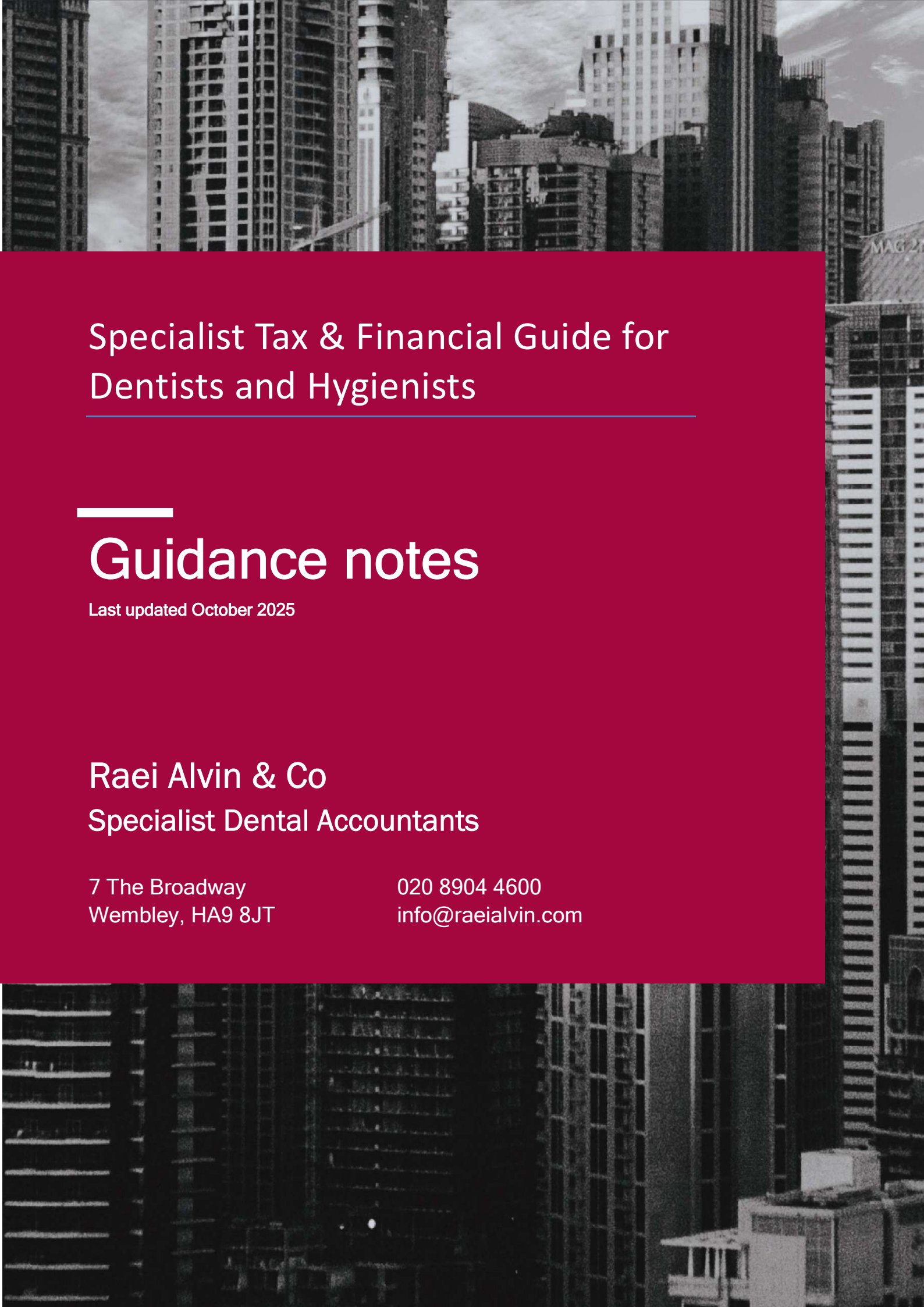




Specialist Tax & Financial Guide for Dentists and Hygienists

Guidance notes

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About Raei Alvin & Co

We are **Chartered Certified Accountants** with a clear purpose: helping **dentists, hygienists, and dental practice owners** achieve financial clarity and confidence. With over **20 years of specialist experience**, we have earned our reputation as true Specialist Dental Accountants.

The dental profession faces unique financial challenges — from navigating NHS pensions and managing associates' tax affairs to buying, selling, and running practices. Our mission is simple: to take the complexity out of finance, so you can focus on delivering outstanding patient care.

What We Do

Our experienced team provides tailored support in:

- **Tax planning** for associates, hygienists, and principals
- **NHS pension and retirement strategies**
- **Practice transactions** — guidance on buying, selling, and valuing dental practices
- **Payroll and pensions compliance**
- **Wealth planning and inheritance tax advice** for long-term security

What sets us apart is our **deep specialist knowledge of the dental sector**. We don't just prepare tax returns — we work in partnership with you to protect your income, minimise tax, and build sustainable wealth.

Whether you are an **associate starting out**, a **principal managing a practice**, or a **dentist preparing for retirement**, Raei Alvin & Co is here to support you at every stage of your career.

Our Story – Mr. Fredon Raei, FCCA

The firm's foundations were laid in **1989**, when **Mr. Fredon Raei FCCA** founded *Raei & Co*, providing trusted tax and accounting services to individuals and businesses. With professionalism and personal care, he built a strong reputation for reliability and integrity.

In **2007**, as the UK entered an economic crisis, we began to specialise in **dental accounting**. Fredon earned the respect of the dental community by guiding dentists and practice owners through uncertain times with clear, practical financial advice.

Today, that legacy continues under **Raei Alvin & Co Ltd**, combining specialist expertise with family-firm values. Our commitment remains unchanged: to deliver professional, personalised advice that you can rely on.

Our Direct Contact Details

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How to Use This Guide

This guide brings together our published guidance notes for dentists. Each section is presented in full as originally written, so you can see our detailed advice on tax, finance, and practice management.

This draft preserves the content exactly as it appears in our professional guidance notes.

This guide has been created specifically for **dentists, hygienists, and dental practice owners**. It brings together the most common tax, pension, and business questions we see in the dental sector, with practical answers and worked examples.

To get the most from this guide:

- **Start with the sections most relevant to you** — whether you're an associate, a hygienist, or a practice owner.
- **Use the worked examples and case studies** to understand how tax rules apply in real-life situations.
- **Refer back throughout the year** — at key points such as filing deadlines, when buying or selling a practice, or when planning a large purchase like a car.
- **Look out for tips and warnings** — highlighted to help you avoid costly mistakes.
- **Seek advice before acting** — the guide is designed to inform you, but every dentist's situation is unique.

At the end of the guide, you'll find details of how to book a **free consultation with Raei Alvin & Co**. We can help apply these principles to your personal circumstances, ensuring your finances are managed efficiently and compliantly.

Disclaimer

This guide has been prepared by Raei Alvin & Co – Specialist Dental Accountants, for general information only, designed to address the most common tax issues.

It does not constitute professional advice and should not be relied upon as such. Tax and NHS rules change frequently, and individual circumstances vary. Always seek tailored advice before acting. Raei Alvin & Co accepts no liability for actions taken or not taken based on this guide.

Dental Associates & Hygienists

Registering as self-employed with HMRC

When you begin earning income as a dentist or hygienist, you'll need to handle your own taxes. It may feel like a daunting task, but you have all the necessary support and tools available to you, via the Government website and through Accountants and Tax Agents like us.

Here are the first few steps to get started:

Register for Self-Assessment:

As a self-employed individual, you are responsible for paying your own income tax and National Insurance (NI). You'll need to create a Government Gateway account to do this.

Register for National Insurance Contributions:

When you register for Self-Assessment, you'll also need to register for National Insurance Contributions (NIC). These contributions are essential as they determine your eligibility for benefits, including the state pension.

Keep Your Records:

It's important to keep all your UDA and fee statements, as these will be needed to determine income earned for the tax period, which will be entered onto your tax return. Along with invoices and documentation for all expenses, such as courses or equipment.

Special Considerations for Visa Holders:

If you are a dentist on a Skilled Worker Visa, you must ensure your visa status allows you to be self-employed. Generally, Skilled Worker Visa holders are not permitted to set up their own business as a substitute for or in addition to their primary sponsored employment. However, you may be able to operate as self-employed under the sponsorship of your current dental practice. It's highly recommended to seek professional advice to confirm your specific situation is compliant with immigration rules.

Should I operate through a limited company from the start?

One of the most common questions for newly qualified dentists and hygienists is whether to **set up as a limited company straight away** or begin as a **self-employed sole trader**. The right decision depends on income levels, career stage, long-term goals and the percentage of your income from private fees received.

Limited company: is it worth it?

For associate dentists, one of the biggest decisions is whether to work as self-employed or through a limited company. Each option has different tax, pension, and compliance implications.

Self-Employment

This is the most common route for associates, especially those with NHS income.

Advantages:

- Simple accounts, one annual tax return.
- Lower accountancy costs.
- Eligible for the NHS Pension Scheme.
- Privacy: no accounts filed at Companies House.

Disadvantages:

- Tax payments are due sooner, including large “payments on account” in the first year.
- Limited flexibility for tax planning.
- Cannot split profits with a spouse unless they are also GDC-registered and part of a formal dental partnership.

Suitable for: Associates with income under £100,000, limited scope to split income, or those relying heavily on NHS pension.

Partnerships and LLPs

Less common for associates due to GDC rules (all partners must be registered dentists). While partnerships allow profit-sharing with a spouse, the extra admin and restrictions often make them unsuitable.

Limited Company

A limited company is a separate legal entity, offering liability protection and, in some cases, tax savings.

Advantages:

- Corporation tax (19%–25%) can be lower than combined income tax and NI.
- Flexibility in drawing income (salary, dividends, loans).
- Ability to involve non-GDC-registered family members as shareholders.
- Access to tax-efficient benefits (e.g. electric cars, pensions, staff functions).
- Wider tax planning opportunities, including timing of income.

Disadvantages:

- NHS Pension Ineligibility — associates cannot contribute to the NHS Pension if paid through a company.
- Higher accountancy and compliance costs.
- Extra reporting (company accounts, corporation tax, P11D for benefits).
- Company details are public at Companies House.

- IR35 risk – HMRC may view your associate role as employment rather than self-employment.

Suitable for: Associates with significant private income, profits over £50,000, and the ability to split income with a spouse/partner. Not advisable if most income is NHS.

NHS Pension Consequences of Incorporation

If an associate routes NHS income through a limited company:

- They become **ineligible for NHS Pension membership**.
- Contributions already made may be clawed back, with interest.
- Pensionable service is lost, reducing long-term benefits.
- NHS parental leave entitlements are forfeited.
- HMRC and NHS Pensions audits may trigger repayment demands.

Hybrid Model

A workable compromise is to remain self-employed for NHS income (retaining pension benefits) and use a limited company for private income. This adds complexity but maximises tax efficiency while protecting pension rights.

Our Recommendation

For most new dentists and hygienists:

- **Start as self-employed** until your income stabilises and you have at least 2–3 years of earnings history.
- **Review incorporation** when your profits reach a level where the tax savings outweigh the admin and pension drawbacks.
- Always factor in your **long-term plans** — e.g., buying a practice, emigrating, or specialising.

When a Company May Make Sense Early

- If you have **significant private income** (not NHS-based).
- If you work through multiple clinics under private contracts.
- If your expected profits are high from the outset, and you don't rely on NHS pension accrual.

Bank account and record keeping

It is advisable to operate from one singular bank account and not have too many different bank accounts.

Banking Private and NHS Income

For those operating through a limited company, you can consider having a dedicated company bank account and a separate personal account to differentiate between private and NHS earnings. This separation ensures clarity and accuracy in tracking your different income streams.

Expenses to Pay from Your Business Bank Account

All business-related expenses should be paid directly from this account.

Keeping Savings in Your Business Account

Reduced tax liabilities, as funds retained within the business avoid immediate dividend tax charges.

What NOT to Pay from Your Business Bank Account

Personal Expenses: Avoid using this account for personal costs such as:

Account Access

Do not grant access to this account to anyone, including your accountant. Maintain sole control over all transactions to ensure proper financial management.

Managing Withdrawals

Withdraw money from this account only as required for personal use.

Leave as much as possible in the account to build a financial buffer for unexpected expenses and avoid unnecessary tax charges on dividends.

You can deduct certain business expenses from your income before tax. However, the rules are strict — you can only claim costs that are “**wholly and exclusively**” for business purposes.

Expenses You *Can* Claim

Professional Fees & Subscriptions

- GDC annual retention fee
- Professional indemnity insurance
- Membership fees (e.g. BDA, dental societies)

Continuing Professional Development (CPD)

- Relevant training courses, seminars, workshops
- Online CPD subscriptions
- All implant courses UK and abroad

Clinical & Practice Costs

- Laboratory fees
- Dental materials and consumables
- Small equipment (handpieces, loupes, uniforms, camera, laptop, computer, office equipment)

Business Administration

- Accountancy fees
- Bookkeeping software (e.g. Xero, QuickBooks)
- Stationery, postage, printing

Travel & Motor Expenses

- Mileage for travel between practices
- Public transport and parking for business journeys
- A proportion of car expenses (insurance, fuel, servicing) if used for work travel including electric charge point

Home Office Costs (if used for admin)

- Proportion of household bills (electricity, heating, internet)
- Office equipment (computer, desk, printer)

Other Allowable Expenses

- Bank charges on business accounts
- Interest on business loans
- Marketing and website costs

✗ Expenses You *Cannot* Claim

- Personal clothing (unless protective or branded uniforms)
- Food and drink during normal working hours (except when travelling for work)
- Fines or penalties (e.g. speeding tickets, HMRC late filing fines)
- Training not related to dentistry (e.g. personal development, unrelated qualifications)
- Childcare costs (unless via approved workplace nursery or voucher scheme)
- Holidays, personal entertainment, or gym memberships

Claiming on a master's degree

When applying HMRC's rules to a dentist or hygienist pursuing a master's degree, the key question remains: **is the degree primarily for updating existing skills, or for acquiring fundamentally new ones?**

Specialisation vs. Fundamental Change:

A master's degree that specialises in a specific area of dentistry (e.g., endodontics, periodontics, orthodontics) is more likely to be viewed as an enhancement of existing skills. If the master's degree enables the dental associate to provide more specialised dental treatments within their current dental practice, this strengthens the case for it being an allowable expense.

However, if the master's degree significantly shifts the associate's career path (e.g., moving from clinical practice to solely research or management), HMRC may view it as acquiring a new skill set.

Rule: "Wholly and Exclusively"

HMRC emphasises that expenses must be "wholly and exclusively" for business purposes. If the master's degree provides significant personal benefit beyond professional development, it may be challenged.

HMRC's Evolving Guidance:

It is important to note that HMRC guidance regarding professional training can evolve. Recent changes have shown a move towards recognising that professionals in the dental field do need to upskill. Therefore, if the master's degree is directly related to upskilling within the dental field, then there is a greater chance of it being allowed.

Evidence is Crucial:

Dental associates should maintain thorough records demonstrating how the master's degree directly benefits their current practice. This could include:

- Course syllabi showing relevance to current dental skills.
- Evidence of how the new knowledge is applied in patient care.
- Documentation of how the degree enhances their professional services.

In essence:

A master's degree that leads to specialisation within dentistry has a better chance of being considered an allowable expense. A master's degree that leads to a significant career change is less likely to be allowed.

Investing in a private pension (SIPP)

Alongside the NHS Pension Scheme, many dentists and hygienists choose to build additional retirement savings through a **Self-Invested Personal Pension (SIPP)**. A SIPP gives you more control over your investments and can be a highly tax-efficient way to save for the future.

Key Benefits

- **Tax Relief** – You receive 20% basic rate tax relief automatically on contributions. Higher and additional-rate taxpayers can claim an extra 20%–25% through their tax return.
- **Flexibility** – You can invest in a wide range of assets, such as funds, shares, and bonds, and decide how your pension is managed.
- **Annual Allowance** – You can contribute up to £60,000 a year (2025/26), or 100% of your earnings if lower. Unused allowances from the previous three years can often be carried forward.
- **Long-Term Growth** – Returns within a SIPP grow tax-free, and withdrawals in retirement benefit from a 25% tax-free lump sum.

Points to Consider

- **Cash Flow** – Contributions are locked away until age 55 (rising to 57 from 2028). Make sure you keep enough liquidity for current expenses.
- **NHS Pension Overlap** – If you are also paying into the NHS Pension, keep track of your combined annual allowance to avoid unexpected tax charges.
- **Investment Risk** – Unlike the NHS scheme, your SIPP value depends on market performance. Professional investment advice is recommended.
- **Lifetime Allowance** – Although the LTA charge has been abolished, limits on tax-free lump sums and future policy changes may still affect high earners.

When a SIPP Makes Sense

- You want to **supplement NHS benefits** with extra, flexible retirement savings.
- You have **private income** not covered by the NHS scheme.
- You are a **higher-rate taxpayer** looking to reduce your annual tax bill.
- You plan to **phase into retirement**, drawing from your SIPP to reduce hours while keeping NHS benefits.

Worked Example

Dr. A is a dental associate earning **£70,000 per year**. She decides to contribute **£10,000** into a SIPP.

- She pays **£8,000** from her bank account.
- HMRC adds **£2,000** basic rate tax relief directly into her SIPP.
- As a higher-rate taxpayer, she can claim an additional **£2,000** via her tax return.

Net effect:

- Total added to her pension = **£10,000**
- Net cost to Dr. A = **£6,000**

That's a **40% uplift** in retirement savings thanks to tax relief.

Tax Return deadlines

As a self-employed dental associate or hygienist, you are responsible for filing your own **Self-Assessment tax return** and paying the correct tax on time. Missing deadlines can result in penalties and interest, so it is essential to plan.

Key Dates to Remember

5 April – The end of the UK tax year.

31 October – Deadline for submitting a paper tax return (rarely used now).

31 January – Deadline for:

- Filing your online tax return.
- Paying your balancing payment for the previous tax year.
- Paying your first *payment on account* towards the current year (if applicable).

31 July – Deadline for your second *payment on account* (if applicable).

Payments on Account

If your tax bill is over £1,000 (and less than 80% of it isn't already deducted at source), HMRC usually requires you to make two advance payments:

- ❖ **31 January** – First instalment.
- ❖ **31 July** – Second instalment.

These are based on your previous year's tax bill and are offset against your next year's liability. This can make your **first January payment particularly large** (covering 18 months of tax), so it's vital to budget throughout the year.

Penalties for Late Filing or Payment

- **Late filing** – £100 automatic penalty immediately after 31 January, with daily penalties and higher fines for longer delays.
- **Late payment** – Interest charged from 1 February, plus 5% surcharges if unpaid after 30 days, 6 months, and 12 months.

Practical Tips

- Put at least **18-25% of your income aside each month** to cover tax and National Insurance.
- Submit your tax return early to avoid stress and spread payments.
- Use accounting software or a specialist dental accountant to keep records accurate and up to date.

Always plan for the **31 January** and **31 July** deadlines. Keeping money aside each month avoids cash flow shocks and penalty charges.

Dental Principals (practice owners)

Buying a Dental Practice

Buying a dental practice is a significant milestone. It combines professional ambition with business ownership and can be both rewarding and complex. Success depends on preparation, careful due diligence, and strong professional advice.

Preparing to Buy

Before you begin the search, make sure you are financially and professionally ready. Lenders will expect:

- A detailed **business plan** and financial forecasts.
- Evidence of your ability to run a practice.
- A deposit, usually **10–20% of the purchase price**, with the rest funded by borrowing.

Due Diligence

Due diligence is the process of checking the health of the practice before committing to buy. It should cover:

- **Accounts** – review at least three years for turnover, profitability, and staff costs.
- **NHS Contracts** – confirm the contract is stable and transferable.
- **Private Income** – assess patient numbers, fee levels, and retention rates.
- **Legal & Compliance** – your solicitor should check the lease or freehold and highlight any regulatory concerns.

Valuation and Negotiation

A practice is usually valued on a multiple of its maintainable profit, but goodwill, reputation, and location all play a role. Consider:

- The condition of equipment and premises.
- Staffing contracts and costs.
- Whether the seller will stay on for a handover period.

Legal and Regulatory Matters

The Sale and Purchase Agreement sets out exactly what you are buying. Key points to review include:

- **Property** – lease terms or freehold valuation (must be more than 15 years).
- **Employees** – most staff will transfer under TUPE regulations.
- **CQC Registration** – approval is required before you can take over.

Financial and Tax Planning

The way you structure the purchase affects your tax position. Options include:

- Buying as an individual, partnership, or limited company (preferred).
- Claiming capital allowances on equipment.
- Ensuring you have enough working capital for staff, supplies, and loan repayments in the first year.

Transition and Handover

Patients and staff are central to the goodwill of a practice. To maintain continuity:

- Keep communication clear and reassuring.
- Consider retaining the seller for a short handover.

- Use the transition period to update systems and supplier contracts.

Professional Support

Buying a practice is not a solo exercise. Engage:

- An **accountant** with dental expertise.
- A **solicitor** to handle contracts and compliance.
- A **broker or valuer** to ensure a fair price.
- A **specialist lender** to structure your finance.

Buying a practice is about much more than price. With preparation, due diligence, and the right advisers, it can be the cornerstone of your long-term financial and professional success.

Selling a Dental Practice

Selling a dental practice is often the culmination of years of hard work and dedication. Whether you are retiring, relocating, or simply moving on to a new venture, the process requires careful planning to maximise value and ensure a smooth transition for patients, staff, and the new owner.

Preparing for Sale

The earlier you prepare, the better. A well-organised practice commands higher valuations and smoother negotiations. Key steps include:

- **Tidy your accounts** – ensure at least three years of accurate, up-to-date accounts.
- **Review contracts** – NHS and private contracts must be stable and compliant.
- **Address compliance** – CQC, health & safety, and employment law issues should be resolved before marketing.
- **Present the practice well** – modern systems, clear patient records, and a positive staff culture all increase goodwill.

Valuation and Marketing

A dental practice is typically valued on its maintainable profits, with goodwill, location, and patient base influencing the final figure. Work with a specialist broker or valuer who understands the sector. They can:

- Provide a realistic valuation.
- Market your practice discreetly.
- Identify serious buyers and manage offers.

Legal Considerations

Once a buyer is found, legal documentation protects both sides. You will need:

- A **Sale and Purchase Agreement** setting out the terms of sale.
- **Property arrangements** – whether lease assignment or freehold transfer.
- **Staff transfers** under TUPE, ensuring contracts and entitlements are honoured.
- **NHS contract novation** if the practice carries NHS work.

Managing the Handover

A smooth transition protects the goodwill you have built. Consider:

- Remaining for a **handover period** to reassure patients and staff.
- Introducing the buyer personally to staff, suppliers, and key patients.
- Providing guidance on practice systems and compliance.

Tax and Financial Planning

The way you structure the sale can significantly affect how much you keep. Consider:

- **Entrepreneurs' Relief/Business Asset Disposal Relief** – may reduce capital gains tax to 10%.
- Whether to sell **shares in a company** or the **assets of the practice**.
- Timing the sale to align with retirement, pension access, or succession planning.

Professional Support

Selling is not just about finding a buyer — it's about protecting the value you have built. Engage:

- An **accountant** with dental expertise to structure the sale tax-efficiently.
- A **solicitor** experienced in dental transactions to manage contracts, property, and regulatory issues.
- A **broker/valuer** to secure the best price and manage negotiations.

Understanding Net Assets on the Date of Completion

When buying or selling a dental practice as a limited company, one of the most important financial concepts is the calculation of **net assets on the date of completion**. This figure ensures that both buyer and seller have a fair settlement when ownership of the practice changes hands.

What Are Net Assets?

Net assets are essentially the practice's **assets minus liabilities** at the moment the transaction completes. They reflect the true financial position of the business being transferred.

- **Assets** may include:
 - Cash at bank.
 - Debtors (patients, NHS, insurance companies, or others who owe the practice money).
 - Stock, such as materials and consumables.
 - Equipment and property (if included in the sale).
- **Liabilities** may include:
 - Trade creditors and suppliers.
 - Outstanding tax liabilities (corporation tax, VAT, PAYE).
 - Accrued expenses such as wages, holiday pay, or utilities.

The difference between these gives the net assets figure.

Why It Matters in a Sale

The agreed purchase price for a practice is often based on its goodwill and an assumed “normal” level of working capital. However, the exact balances of cash, debtors, creditors, and stock can vary significantly between exchange and completion.

The net asset calculation ensures:

- The **seller is fairly compensated** for any surplus assets left in the practice.
- The **buyer does not take on unexpected liabilities** or a shortfall in working capital.

For example, if NHS income has been received in advance but the work has not yet been performed, this liability needs to be recognised and factored into the final completion accounts.

How It Works in Practice

- On completion, accountants for both buyer and seller prepare a **completion statement**.
- This statement sets out the final position of assets and liabilities at the handover date.
- If the net assets are higher than expected, the buyer pays the seller an adjustment. If they are lower, the purchase price is reduced accordingly.

Key Considerations

- **Accuracy is crucial** – both parties should agree on the accounting methods and cut-off points.
- **Stock takes** and debtor/creditor listings should be carried out immediately before or on the completion date.
- **Professional input** from accountants is essential to avoid disputes.

The net assets calculation ensures a fair and transparent adjustment to the purchase price, protecting both buyer and seller at completion. It is a vital step in safeguarding the integrity of a dental practice transaction.

Worked Example – Net Assets on Completion

Imagine a dental practice sale where the agreed price is **£800,000**, based on goodwill and expected working capital. At completion, the accountants prepare a statement of net assets as follows:

Assets	£
Cash at bank	45,000
NHS debtors (UDA income not yet paid)	30,000
Private debtors (patients/insurers)	10,000
Stock of materials and consumables	5,000
Total Assets	90,000

Liabilities	£
Trade creditors (suppliers)	15,000
PAYE & NIC due	8,000
VAT liability	7,000
Accrued holiday pay for staff	5,000
Total Liabilities	35,000

Net Assets = £90,000 – £35,000 = £55,000

Adjustment to Purchase Price

The seller is entitled to an extra **£55,000 adjustment** on completion.

Conversely, if the net assets had been lower than expected, the buyer would have paid less.

A completion statement ensures that the final purchase price reflects the true financial position of the practice, avoiding disputes and creating fairness for both sides.

Running a payroll and pension for your employees

As a dental practice owner, one of your key responsibilities is to pay your staff correctly and ensure you meet all legal obligations around payroll and workplace pensions. Good systems and compliance not only keep HMRC and The Pensions Regulator satisfied but also help to build trust and stability within your team.

Payroll Basics

When you employ staff, you must operate **Pay As You Earn (PAYE)** on behalf of HMRC. This means:

- **Registering as an employer** with HMRC before your first payday.
- Deducting **Income Tax and National Insurance (NIC)** from staff wages.
- Reporting employee pay, deductions, and tax to HMRC each pay period through **Real Time Information (RTI)**.
- Paying HMRC the correct amounts by the **22nd of the following month** if paying electronically.

Most practices use payroll software or outsource to their accountant to ensure accuracy and compliance.

Workplace Pension Duties

Under **auto-enrolment**, all employers must provide a qualifying pension scheme for eligible staff. Your duties include:

- **Auto-enrolling** employees aged 22 to state pension age who earn more than £10,000 a year.
- Making **minimum contributions** (currently 3% employer, 5% employee of qualifying earnings).
- Informing staff in writing about their pension rights.
- Managing opt-ins and opt-outs correctly.
- Submitting a **Declaration of Compliance** to The Pensions Regulator within five months of your duties start date.

Common Challenges for Practice Owners

- **Variable hours and pay** – particularly for part-time or locum staff, requiring accurate calculations.
- **Keeping up with deadlines** – RTI submissions must be filed on or before payday.
- **Integrating payroll and pensions** – ensuring contributions are processed and paid on time to the pension provider.
- **Staff communications** – explaining deductions and pension benefits clearly to avoid misunderstandings.

Good Practice Tips

- Use **specialist payroll software** or an outsourced payroll service to reduce admin and errors.
- Set reminders for PAYE and pension contribution deadlines to avoid penalties.
- Keep contracts, holiday records, and pay details up to date for all staff.
- Review pension scheme suitability periodically to ensure it remains compliant and competitive.

Running payroll and pensions may seem like routine administration, but compliance is non-negotiable. Getting it right protects your practice from fines and keeps your team confident in your leadership. Most practice owners choose to outsource payroll and pensions to a specialist accountant, freeing up time to focus on patients and practice growth.

Payroll & Pension Compliance Checklist

Payroll Duties

- ☑ Register as an employer with HMRC
- ☑ Set up PAYE through payroll software or accountant
- ☑ Collect new starter details (P45, NI, bank)
- ☑ Issue employment contracts
- ☑ Calculate gross pay and deductions
- ☑ Provide payslips and submit RTI to HMRC
- ☑ Pay HMRC by 22nd each month
- ☑ Keep payroll records up to 6 years

Pension Duties

- ☑ Assess staff for eligibility each pay period
- ☑ Auto-enrol eligible employees
- ☑ Employer contribution: at least 3%
- ☑ Employee contribution: at least 5%
- ☑ Communicate pension rights in writing
- ☑ Process opt-ins and opt-outs correctly
- ☑ Submit Declaration of Compliance
- ☑ Re-enrol eligible staff every 3 years

The Pensions Regulator and Employer duties

As a dental practice owner, you are legally responsible for complying with workplace pension legislation. The **Pensions Regulator (TPR)** oversees employer compliance with auto-enrolment and pension duties. Failing to follow the rules can result in financial penalties and reputational damage, so it is vital that practice owners understand their obligations.

What Auto-Enrolment Means

Since 2012, all employers must automatically enrol eligible employees into a qualifying workplace pension scheme. For dental practices, this typically includes reception staff, dental nurses, practice managers, and sometimes hygienists or associates (if they are employed rather than self-employed).

Eligible employees are:

- Aged **22 up to state pension age**.
- Earning more than **£10,000 a year**.

Employer Duties

Your responsibilities as a practice owner include:

- Setting up and maintaining a **qualifying pension scheme**.
- **Auto-enrolling** eligible staff and managing opt-ins/opt-outs.
- Making at least the **minimum contributions** (currently 3% employer, 5% employee).
- Keeping accurate **records of contributions, staff assessments, and communications**.
- **Re-enrolling** eligible employees every three years.
- Completing a **Declaration of Compliance** with TPR within five months of your duties start date and at each re-enrolment.

Compliance and Penalties

The Pensions Regulator monitors employers closely. If you fail to meet your duties, they can:

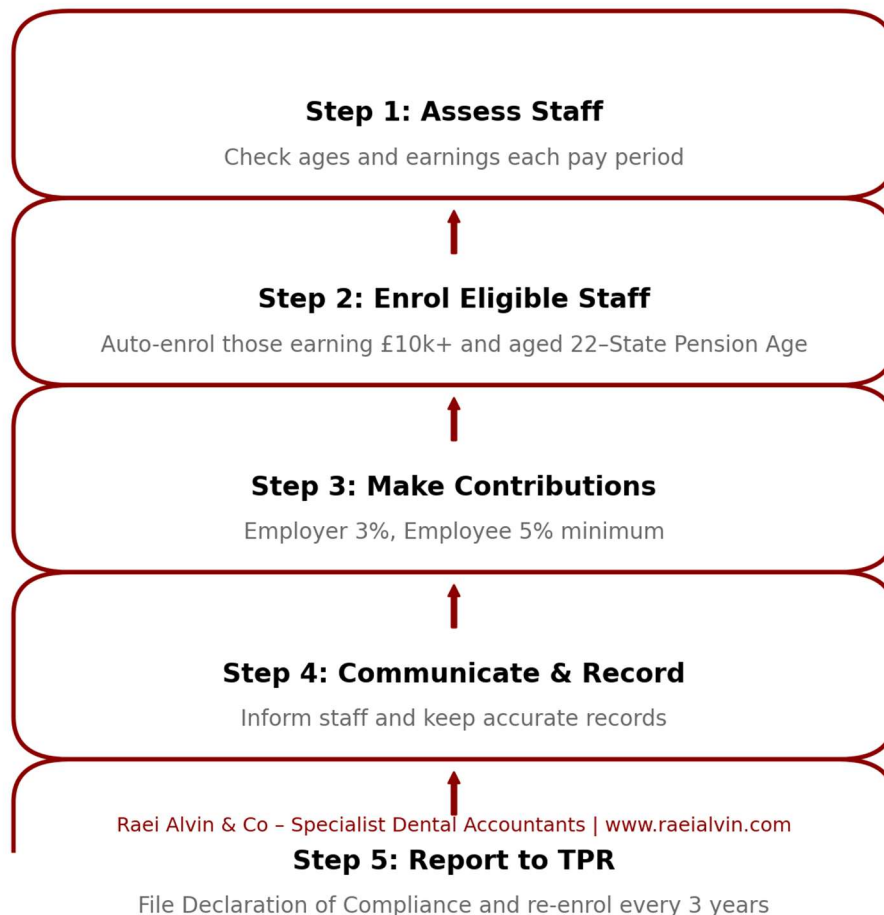
- Issue a **Compliance Notice** requiring you to put things right.
- Impose a **Fixed Penalty Notice** of £400.
- Apply an **Escalating Penalty** of £50 to £10,000 per day depending on staff numbers.

Good Practice for Dental Practices

- Use **payroll software that integrates with pensions** to minimise errors.
- Keep staff informed with clear communications about their rights.
- Monitor contribution payments carefully to ensure they are made on time.
- Seek advice from a **specialist dental accountant** to avoid compliance risks.

The Pensions Regulator requires every dental practice owner to enrol eligible staff into a pension scheme, contribute correctly, and file compliance returns. Staying on top of these duties protects your staff and avoids costly penalties.

Employer Pension Duties - Compliance Flow



Advantages and disadvantages of operating through a limited company for Practice Owners

Many dental practice owners choose to operate through a **limited company** rather than as sole traders or partnerships. A company is a separate legal entity, which can provide both financial benefits and additional responsibilities. Deciding whether this is the right structure depends on your income, long-term goals, and appetite for compliance.

Advantages of a Limited Company

Operating as a company can provide several advantages for practice owners:

- **Tax Efficiency** – Profits are subject to corporation tax (currently 19%–25%), often lower than higher-rate personal tax bands. Owners can choose how they extract income (salary, dividends, or loans), allowing for flexible tax planning.
- **Limited Liability** – The company is legally separate from you, which helps protect your personal assets if the business faces financial difficulties.
- **Income Splitting** – Family members can hold shares or be paid dividends, helping to utilise personal tax allowances and reduce overall liability.
- **Pension Planning** – The company can make employer pension contributions for directors, often more tax-efficient than personal contributions.
- **Capital Allowances & Reliefs** – Companies can claim tax relief on equipment, refurbishment, and even R&D if applicable.
- **Business Continuity** – Shares can be transferred or sold, making succession planning and future sale of the practice more straightforward.

Disadvantages of a Limited Company

Alongside the benefits, there are also drawbacks to consider:

- **NHS Pension Restrictions** – If a large proportion of your income comes from NHS contracts, incorporation may reduce or restrict your pension contributions.
- **Higher Compliance Costs** – Companies must prepare statutory accounts, file corporation tax returns, maintain company records, and comply with Companies House requirements. Professional fees are usually higher.
- **Loss of Privacy** – Company accounts and director details are publicly available at Companies House.
- **Dividend Tax** – Although dividends are taxed at lower rates than salary, they are still subject to tax and cannot be deducted as a business expense.
- **Exit Costs** – Closing or selling a company is more complex than winding down as a sole trader, and may require specialist advice to achieve tax efficiency.
- **Employment Law Obligations** – As a director, you must comply with employment law, health and safety rules, and The Pensions Regulator in respect of staff.

When a Limited Company May Be Suitable

- Practices with **high profits**, where tax savings outweigh extra costs.
- Owners looking to **bring family into the business** through shareholding.
- Practices planning for **future sale** or succession.
- Principals with significant **private income** not tied to the NHS Pension.

A limited company can be highly tax-efficient and useful for succession planning, but it comes with more compliance and may limit NHS pension benefits. Always review your personal circumstances with a specialist dental accountant before making the decision.

Sole Trader vs Limited Company – At a Glance

<u>Aspect</u>	<u>Sole Trader</u>	<u>Limited Company</u>
Tax	Income taxed as personal earnings. Rates up to 45% plus NIC.	Corporation tax 19–25% on profits. Flexible mix of salary, dividends, and loans.
National Insurance	Class 2 and Class 4 NIC payable.	No NIC on company profits; NIC only on salaries.
NHS Pension	Full access for NHS income.	NHS pension restrictions apply if income is through the company.
Liability	Personally liable for business debts.	Limited liability – personal assets generally protected.
Compliance	Simpler accounts and tax return. Lower accountancy costs.	Full statutory accounts, Companies House filings, corporation tax return required.
Privacy	Accounts not publicly available.	Company accounts and director details are published on Companies House.
Profit Sharing	All profits taxed on the sole owner.	Profits can be split with family shareholders to use allowances.
Succession/Sale	Business harder to sell – goodwill only.	Shares can be sold, making succession or exit more structured and tax-efficient.
Costs	Lower professional fees.	Higher accountancy, legal, and admin costs.
Best For	Smaller practices, lower profits, or NHS-heavy income.	Higher profits, private practices, or those planning for sale/succession.

Sole trader = **simpler, lower-cost, NHS-friendly.**

Limited company = **tax-efficient, succession-friendly, more admin.**

Buying an Electric Car

With the government's focus on reducing carbon emissions, electric cars have become increasingly attractive for professionals, including dentists and practice owners. Beyond the environmental benefits, there are also significant tax advantages that make electric vehicles (EVs) worth serious consideration.

Tax Benefits for Practice Owners and Associates

One of the biggest incentives for switching to an electric car is the reduced **Benefit-in-Kind (BIK) rate** for company vehicles.

- For the 2025/26 tax year, fully electric company cars are taxed at a **3% BIK rate** (compared to 25%–37% for petrol and diesel vehicles).
- This means if your company provides you with an electric car, the taxable benefit is very low, resulting in substantial savings on your personal tax bill.
- Employers can also **deduct 100% of the cost of new electric vehicles** against profits in the year of purchase through **first-year capital allowances**.
- Meaning if you buy a car for £100,000, there is 25% tax relief, and so effectively the government pays £25,000 towards the cost of the car

For sole traders and associates:

- You may be able to claim mileage allowances if using your electric car for business travel.
- Alternatively, a proportion of running costs (insurance, charging, maintenance) may be claimed if the car is used partly for business.

Other Financial Incentives

- **Vehicle Excise Duty (VED)** – Electric cars are currently exempt from road tax, though this is expected to change after 2025.
- **Congestion Charges** – Many cities, including London, offer exemptions or discounts for EVs in congestion and low-emission zones.
- **Grants and Charging Support** – While most direct government grants for EVs have ended, some workplace and home-charging grants are still available.

Practical Considerations

- **Charging Infrastructure** – Installing a home or practice charging point may be a wise investment for convenience.
- **Mileage Range** – Modern EVs typically offer 150–300 miles on a single charge, but this may vary depending on your travel needs.
- **Resale Value** – EVs are holding value better than before, but technology is still evolving. Factor this into your decision if you plan to change vehicles frequently.

When Buying Through a Limited Company

If you are a practice owner operating through a company, buying an EV through the business can be particularly efficient:

- The company claims the cost against profits, lowering corporation tax.
- Running costs such as insurance, charging, and servicing are deductible.
- You as the director benefit from a very low BIK charge compared to a petrol or diesel car.

For dentists and practice owners, buying an electric car is both a tax-efficient and environmentally responsible choice. Low BIK rates and capital allowances mean significant savings when purchased through a limited company, while sole traders and associates can still benefit through mileage and expense claims.

Example – Tesla Model 3

Let's compare the cost of a **Tesla Model 3 (list price £45,000)** if purchased personally versus through a limited company.

Option 1: Purchased Personally

- You pay for the car from **cash/loan/hire purchase**.
- If you are a higher-rate taxpayer (40%), you get **£9,000 tax relief**.
- Running costs (insurance, charging, maintenance) are also paid personally.

Effective Cost to You: ~£36,000 (after income tax reduction).

Option 2: Purchased by Your Limited Company

- The company pays £45,000 for the car.
- A **100% first-year capital allowance** applies, so the company reduces taxable profits by £45,000.
- At 25% corporation tax, this saves **£11,250** in tax immediately.
- You can charge all running costs through the company (insurance, servicing, charging).
- As a director, you pay **Benefit-in-Kind (BIK) tax at 2%** of the list price (2025 tax year):
 - $£45,000 \times 2\% = \text{£900 taxable benefit}$.
 - If you're a higher-rate taxpayer (40%), this is only **£360 tax per year**.

Effective Net Cost: ~£33,750 (after corporation tax relief) + £360 per year personal tax.

Side-by-Side Summary

Factor	Personal Purchase	Company Purchase
Car Cost	£45,000	£45,000
Tax Relief	£9,000	£11,250
Benefit-in-Kind Tax (annual)	N/A	£360 (higher-rate taxpayer)
Running Costs	Paid personally	Deductible through company
Effective Cost Over 3 Years	~£36,000 (gross income)	~£34,830 (inc. 3 years' BIK)

Buying the electric car through a limited company is significantly more tax-efficient, often saving **tens of thousands of pounds** compared to a personal purchase.

Buying vs Leasing an Electric Car Through Your Company

Buying Outright

- **Capital Allowances:**
 - You can claim a **100% first-year capital allowance** on new, fully electric cars.
 - This means the full purchase price reduces your company's taxable profits in year one.
- **Ownership:** The company owns the car as an asset.
- **Tax Impact:** Immediate corporation tax relief (e.g. £45,000 purchase saves £11,250 at 25% CT).
- **Cash Flow:** Requires large upfront payment, tying up company funds.

Leasing or HP (Hire Purchase)

- **Operating Lease (rental):**
 - Monthly lease payments are deductible as an expense.
 - Corporation tax relief is spread across each rental payment.
 - No upfront capital allowances, as you don't own the car.
- **Hire Purchase (HP):**
 - Works more like a purchase with finance.
 - You can usually still claim **capital allowances** on the car, as long as you become the legal owner at the end of the term.
 - Interest on finance payments is deductible as a business expense.
- **Cash Flow:** Smaller, regular payments may be easier for many practices to manage.

Benefit-in-Kind (BIK)

- **Same Either Way** – Whether you buy outright or lease, if the company provides you (the director) with private use of the car, the taxable benefit is still based on the car's **list price**, not what the company pays.
- For EVs, that's currently **2% of list price** – making it very attractive regardless of purchase method.
- When your company provides you with an electric car that you also use for private journeys, HMRC treats this as a **Benefit-in-Kind (BIK)**. Instead of taxing you on the car's purchase cost, HMRC applies a very low BIK rate to the vehicle's official list price (the **P11D value**, which includes VAT and any extras but excludes the first year's registration fee and road tax). For electric cars, the BIK rate is just **2% until April 2025**, rising gradually to 5% by 2027/28. This means a £45,000 electric car has a taxable benefit of only £900 in 2023/24, resulting in a small personal tax charge, while your company can still claim corporation tax relief on the cost of purchase or lease.

Example: Tesla Model 3 (list price £45,000)

- **Outright Purchase:**
 - £45,000 paid by company.
 - £11,250 saved in corporation tax immediately (25%).
 - Cash flow hit upfront.
- **Lease (say £600/month × 36 months = £21,600):**
 - £21,600 lease cost spread over 3 years.
 - Deductible in full against profits, saving ~£5,400 in corporation tax (at 25%).
 - No large upfront outlay.
 - At the end of the lease, you return or refinance the car.
- **BIK:** Same in both cases — $£45,000 \times 2\% = £900$ taxable benefit per year. If you're a higher-rate taxpayer (40%), that's **£360 per year personal tax**.
- **Buying outright** gives the biggest immediate tax relief but requires cash up front.
- **Leasing** spreads the cost and still gives full corporation tax relief on the rentals, but you don't build an asset.
- **Hire purchase** can be the best of both worlds if structured properly, allowing capital allowances and spreading the cash flow.

Making Tax Digital for Income Tax

What is Making Tax Digital?

Making Tax Digital (MTD) is HMRC's flagship programme to modernise the tax system. Instead of filing a single Self Assessment tax return once a year, individuals and businesses will keep **digital records** and send **quarterly updates** of income and expenses to HMRC using approved software.

The aim is to make tax administration more efficient, reduce errors, and give taxpayers a more up-to-date picture of their tax position throughout the year.

Who Will It Affect?

MTD for Income Tax will apply to:

- **Self-employed individuals** (including associate dentists and hygienists).
- **Landlords** with property income.

You will need to join MTD if your total gross income from these sources is **over £50,000** per year from **April 2026**, and if over **£30,000** from **April 2027**.

Those earning less than £30,000 will not be required to join until a later stage (HMRC has not confirmed when).

What Will Change?

Currently, self-employed dentists and associates file one annual Self Assessment tax return. Under MTD:

- You must keep **digital business records** (using software such as Xero, QuickBooks, or specialist dental accounting software).
- You must send **quarterly updates** to HMRC with details of your income and expenses.
- At the end of the year, you will submit an **End of Period Statement (EOPS)** to confirm the accuracy of your accounts.
- A final **Crystallisation Submission** (similar to the current tax return) will be required to bring together all income sources and calculate your final tax bill.

Key Dates

- **April 2026** – MTD becomes mandatory for self-employed and landlords with income over £50,000.
- **April 2027** – Threshold lowered to £30,000.
- **Below £30,000** – No start date yet announced.

Practical Implications for Dentists

- **Software:** You will need to move away from paper records or spreadsheets and use MTD-compliant software.
- **Quarterly Deadlines:** Four updates a year (plus final statements) means more frequent reporting and the need to keep your accounts up to date.
- **Cash Flow Awareness:** Quarterly updates give better visibility of your ongoing tax position, helping you plan for payments.

- **Professional Support:** Many dentists will need their accountant to manage submissions, especially if they have both NHS and private income streams.

Benefits and Challenges

Benefits:

- Keeps records up to date and reduces last-minute stress.
- Helps avoid mistakes and penalties.
- Provides clearer information on tax owed during the year.

Challenges:

- More frequent reporting increases admin.
- Additional software and accountancy costs.
- Not all dental associates are comfortable with digital record-keeping.

From April 2026, associate dentists, hygienists, and other self-employed professionals earning over £50,000 must comply with Making Tax Digital. This means keeping digital records and submitting quarterly reports to HMRC. Preparing early — by adopting the right software and working with a specialist accountant — will make the transition much smoother.

How We Prepare Your Tax Return

Easy as 1, 2, 3

At Raei Alvin & Co, we understand that tax returns can feel daunting — especially for busy dental professionals juggling patients, practice management, and personal commitments. Our process is designed to make things straightforward, accurate, and stress-free.

1: Gathering Your Information

The first step is collecting all the information we need to complete your return. This typically includes details of your income (such as associate or practice earnings, rental income, dividends, or interest) as well as records of allowable expenses. For practice owners, we also request business accounts, payroll information, and any other relevant financial data. By working closely with you, we ensure that nothing is missed and all potential deductions are considered.

2: Analysing and Preparing Accounts & Tax Returns

Once we have your records, our team carefully analyses the information. For associates, we prepare accounts showing your taxable profits and allowable expenses. For practice owners, we compile full business accounts and calculate corporation tax where relevant. Using this information, we then prepare your personal and/or company tax returns. Throughout this stage, we look for tax-saving opportunities, such as pension contributions, capital allowances, and allowable professional expenses.

3: Review Stage

Accuracy and clarity are essential. Before filing, we review your tax return thoroughly and share a copy with you for approval. We explain the key figures in plain English, outline how much tax is due and when payments need to be made, and answer any questions you may have. Only once you are satisfied do we submit the return securely to HMRC on your behalf.

By following this structured process, we ensure your tax return is not only accurate and compliant but also optimised to keep your tax bill as low as possible. Our role is to take the stress out of tax so you can focus on your patients and practice.

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Our Fee Structure

At Raei Alvin & Co, we pride ourselves on working on a **fixed-fee basis**. This means you know your costs upfront, with no hidden extras, so you can plan with confidence. Our fees are designed to be competitive, transparent, and tailored to the needs of dental professionals.

For Dental Associates and Hygienists

- **Standard annual fee:** £650 including VAT thereafter.
- **Introductory discount:** £50 off your first year's fee.

This fixed fee covers accounts preparation, your annual tax return, and ongoing advice to ensure you remain compliant and tax efficient.

For Dental Practice Owners

- **Standard annual fee:** £2,500 + VAT per year.
- **Introductory discount:** £500 off your first year's fee.

This includes full business accounts, corporation tax returns, and guidance throughout the year on practice finances and tax planning.

Payroll & Pension Services

We also provide payroll support for your team:

- **£8.75 per employee per month**, or
- **£35 per month minimum** (for up to 4 employees).

This ensures staff are paid correctly and on time, while keeping you fully compliant with HMRC and pension regulations.

Referral Scheme

We value referrals from our clients. If you refer another dentist to Raei Alvin & Co, you'll receive **£100 for each successful referral** once they join us.

Our role is to support you at every stage of your career, from your first associate role to running your own practice and planning for retirement.

This guide is just the beginning. The real value comes from tailored advice that considers your personal circumstances, goals, and ambitions.

If you'd like to discuss how we can help you take control of your finances, reduce your tax bill, and plan for the future with confidence, we'd be delighted to hear from you.

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Additional Guidance notes

Available upon request:

1. Inheritance Tax
2. Pension
3. Student loan
4. Tax code
5. Immigration matters for foreign dental associates and hygienists
6. Maternity allowance for dental associates
7. National Insurance gap
8. Business rate refund for dental practices

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Thank you for your interest !