

A-Z of tax deductible expenses for dental associates

This guide will help ensure you and your business are claiming back the maximum tax relief against your business income. This advice is considered accurate at the time of publishing but please do not wholly rely on the information provided.



Whether your business trades as a limited company, partnership or as self-employed, when preparing financial accounts and tax returns, you need to consider which expenses can be claimed against your business income.

In basic terms, an expense will be categorised as either "allowable" or "non allowable" for tax purposes. Listed below are some common expenses incurred by a dentist and details of how they are treated for tax relief. Please ensure that you read the details as each section makes reference to specific situations which may affect whether this expense would be allowable or non-allowable.

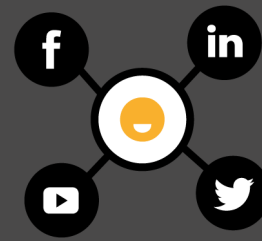
There is an underlying rule set by HMRC that an expense will be allowable for tax relief if it is "wholly and exclusively used for business purposes". As you read through the list of expenses, please remember this rule when considering if it is "allowable" or "non allowable" expenditure in your circumstance. Linked to this principle is the "duality concept", where by if an expense is partly used for business and partly for personal use, it will most likely be disallowable. There are however, some exceptions to the rule, some of which are detailed below and others your accountant can explain in more detail.

This a general guide to the treatment of the most common expenses incurred within a business. It is intended for information only. It is always advisable to seek guidance from your accountant if you are unsure of whether an item is "allowable" or "non-allowable" for tax relief.

ADVERTISING

Business advertising is allowable for tax relief. This may include:

- Google and social media advertising
- Local Paper and magazine adverts
- Printing of leaflets and brochures



BANK CHARGES

Bank charges incurred in your business bank are allowable for tax relief although any costs relating to late penalties are disallowable.



BANK INTEREST

Bank interest incurred in your business bank is allowable for tax relief if it is funding the business and not personal drawings. Therefore, if the "business capital account" is overdrawn, a proportion of the interest may be disallowable.

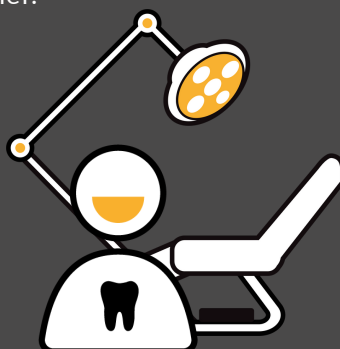
CLINIC RENT

As a dental associate you will more than likely pay a percentage of your business income to the practice owner. Clinic or 'Chair' rental is what is known as a "Cost of Sale" (a cost necessary to generate income). This is allowable for tax relief. If you are an associate that receives income after the clinic rent has been deducted (so the practice owner takes all income) then it is better to declare the income as it is received. For example, if you earn £1,000 and the rent is £600, then the net income will be £400, which is what you can then record as income.



CLINIC/ MEDICAL SUPPLIES

Dental supplies are generally medical purchases used for the treatment of patients and / or items for resale. These are also considered to be "Cost of Sale" items and includes expenses such as Implants, Gumshields, Bridges and Crowns are allowable for tax relief.



DENTAL SCRUBS

Dental scrubs worn as a dentist are the only clothing items that are allowable for tax relief as they are considered "wholly and exclusively" for business use. Other items of clothing could be worn outside of work and therefore hold a personal element, which results in them being disallowable.



ENTERTAINMENT

You can purchase gifts for people you work with using your business bank account, however, please note it is not an allowable expense. Business meetings with colleagues are not generally allowable either. You can still use your business bank account to pay for this.

HIRE PURCHASE INTEREST



when paying monthly hire purchase, the full instalment will not be offset against business profits for tax relief in the year. Only the interest proportion gets this treatment and the rest of the instalment is dealt with in a different way. (*)

If the item purchased (using the hire purchase credit) is used purely for business use, then the whole amount of the interest will be allowable for tax relief. If your business is not incorporated and there is a personal element to the item bought, then the interest will be split accordingly between allowable and non-allowable expenditure. If your business is incorporated then the company can claim for the full cost but there could be a "benefit in kind" charge issued (**)

In summary, the business proportion of the hire purchase interest will be allowable for tax relief.

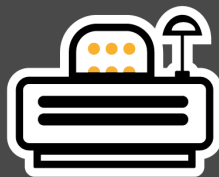


INTERNET COSTS

Internet costs are often partly business and partly personal as you will pay 1 monthly payment for your internet and use it for some personal and some business use.

If you are not trading as a limited company, at the end of the year, your accountant will need to apply a business percentage to the total cost in the year to see how much is allowable for tax relief. If the internet is in the clinic and therefore 100% for business, then the whole cost will be allowable.

If your business trades as a limited company, the whole internet costs can be claimed by the company however, benefits in kind (**) will be charged to the employee on any personal use.



LOAN INTEREST

The treatment of loan interest is similar to hire purchase interest.

When paying monthly loan payments, the full instalment will not be offset against business profits for tax relief in the year. Only the interest proportion gets this treatment and the rest of the instalment is dealt with in a different way. (*)

If the item purchased (using loan funds) is used purely for business use, then the whole amount of the interest will be allowable for tax relief. However, if there is any personal element to the item bought, then the interest will be split accordingly between allowable and non-allowable expenditure.

In summary, the business proportion of the loan interest will be allowable for tax relief.

MOTOR EXPENSES

There are numerous guidelines set by HMRC about what can and can't be claimed for tax relief regarding motor expenses. The rules also vary according to whether you trade as a sole trader, partnership or limited company.

The fundamental things to remember for dentists when considering motor expenses is as follows:

- Between clinics is ALLOWABLE
- From home to work and vice versa is DISALLOWABLE
- Seminars and other trips wholly and exclusively for business purposes are ALLOWABLE

Please also remember that the cost of purchasing a car will not be offset against the income within 1 year. The treatment of this type of expense is different (***)

If unincorporated (trade as sole trader / partnership)

As most people use a car for business and pleasure, at the end of the financial / tax year the total motor costs for that period need to be split between allowable and non-allowable expenditure. A good way to do this is to record a mileage log of all business journeys in the year, whilst taking a note of the start and end mileage within a tax year. This way a percentage of personal : business miles can be used to apportion the motor costs in the year. The costs that would relate to motor expenses are as follows:

- Fuel
- Road Fund Licence
- Insurance Repairs and Servicing



There are 2 methods that can be used for getting tax relief on motor expenses. One is to include a proportion of the actual motor expenses (as mentioned above) and the second is to include the business mileage applying a pence per mile as set out each year by HMRC (currently 45p for the first 10,000 miles, 25p thereafter). Your accountant will need to decide which is the best method for you whilst working within HMRC guidelines.

If incorporated (trade as a limited company)

Your accountant will also need to assess whether it is better for the company to own the car or the individual director / shareholder. This will also affect whether or not your accountant opts to use mileage or a proportion of actual expenses as the method for tax relief on motor expenses.

As you can see motor expenses, is a very detailed area and if you require further assistance, please seek the assistance of your accountant.

POSTAGE

Postage used for business purposes is allowable for tax relief.



PRINTING

Printing costs related to business are allowable for tax relief.

Examples of relevant costs are business cards, letterheads and printing for adverts.



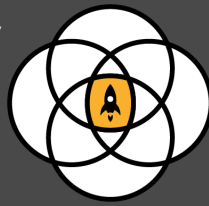
REPAIRS



Whether you are a practice owner or associate, minor repairs to business equipment and sundry repair items used for business such as batteries and light bulbs are allowable for tax relief.

SEMINARS

The costs of attending a dental conference or seminar are allowable for tax relief. This includes the registration cost of the seminar as well as any other costs that are directly linked to attending the seminar. This includes travel, accommodation and subsistence. Please be aware that if combining a seminar trip with a personal excursion (i.e. holiday) then it is likely that the flight / accommodation costs will be disallowed under the "duality" principle.



STATIONERY



Stationery used for business purposes is allowable for tax relief. This would include items such as paper, pens, printer ink, folders and other consumable items. Please note that printers and computers are not consumable items and therefore do not fall under this category and are treated in a different way for tax purposes. (*)

SUBSCRIPTIONS

Dental subscriptions are allowable for tax relief. The BDA & GDC being the most recognised. Other subscriptions would be allowable as well if they are solely used for business purposes. Please also note that student loan costs are not allowable under subscriptions.



TELEPHONE

Telephone costs are another expense that often needs to have split treatment. If the telephone is within the clinic then usually these costs are 100% business related. Home telephone costs are usually considered 100% personal, so non-allowable, although if business calls are separately identifiable these will be allowed for tax relief.

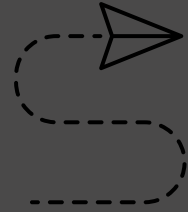


For many dentists, mobile phone costs are often a combination of business and personal calls so therefore a percentage needs to be applied at the end of the year to ensure that tax relief is only claimed on the business proportion. If you trade as a limited company and register the mobile in the company name, then the full mobile expenses are allowable and there is no "benefit in kind" (**) for the employee.

Your accountant will ask you to indicate a reasonable percentage for business: personal use to make an adjustment to your tax return. It is therefore a good idea to keep the itemised section of your phone bills so that they can be reviewed if necessary.

TRAVEL EXPENSES

Travel expenses that are incurred solely for business purposes are allowable for tax relief. This would include travel to dental seminars (as mentioned under seminars) and travel in-between clinics. Similar to the treatment of motor expenses, travel to and from work is not allowable.



USE OF HOME

If you work from home, perhaps writing up patient notes and do not have an office space within your clinic then you may be able to claim a proportion of your house expenses for business use under the heading use of home as office.

If your business is un-incorporated, the items that can be considered are light and heat, mortgage interest or rent and insurance and the proportion would be based on the floor space of the office in comparison to the rest business and personal use. If your business is incorporated, the company can pay the employee £6 per week tax free, subject to certain conditions.

Your accountant will advise you as to whether this exercise is necessary and worthwhile after considering your individual circumstance (often tax relief is not worth the time administrating it).



WAGES AND SALARIES

Wages and employers national insurance are considered tax deductible expenses when directly related to work carried out in your dental business. Employer pension deductions under auto enrolment are also an allowable deduction.

ADDITIONAL INFORMATION

* The interest proportion is allowable for tax whereas the rest of the payment is offset against the creditor, being the capital amount borrowed. For example, if you purchase some equipment using finance, the tax relief will be gained from the asset (see below *** capital allowances) and not on the monthly instalments.

Therefore, the repayment of the loan capital is just offset against the initial debt until this has been cleared.

** Benefits in kind are tax charges where an employee receives a benefit from a company such as use of a telephone, use of a car etc. As this is treated like additional income, the Inland Revenue levy a tax charge called a "benefit in kind"

*** When purchasing or introducing a car to your business, rather than the whole cost being offset against your income, the tax relief is gained through a "capital allowance". For more information on capital allowances, see your accountant.



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