



TAX? HELP!

PRIYA KOTECHA¹ PROVIDES A GUIDE FOR DENTAL NURSES, DENTAL THERAPISTS AND DENTAL HYGIENISTS.

TAX IS FUN

Firstly, relax! To quote one of my least favourite adverts: 'Tax doesn't have to be taxing'!

The truth is, tax is actually fun. Or maybe I'm a bit strange for thinking that. Whether you agree with me or not, you should certainly learn a little more on the subject to make sure you are not paying more tax than you should be.

The first step on your path to getting some tax back is figuring out whether you are employed or self-employed. Usually, if you are a dental nurse, you will be employed, but as a dental hygienist or dental therapist you could be either self-employed or employed, depending on the way in which you work.

Does it really make any difference to you or your practice in terms of tax? Yes!

EMPLOYED OR SELF-EMPLOYED

There is a big difference. If you are employed, your practice must deduct tax

and employees' national insurance from your pay which means that they must operate a PAYE (Pay-As-You-Earn) system. They also have to pay employers' national insurance on top of this – a whopping 13.8% of your pay! You are also entitled to sick pay, maternity pay etc and employment rights. You can only get tax relief on any expenses that you HAVE to incur on your employment. If you are self-employed you can get tax relief on anything that is wholly and exclusively for the purposes of your trade.

(Before I drift off into my happy little world of tax jargon, when I talk about tax relief, I mean that your taxable income is reduced by the amount of tax relievable expenditure you have, so effectively, you pay tax on that much less.)

So, from a tax point of view, many people prefer to be self-employed BUT it doesn't matter what you and your practice call it or how you choose to pay tax; the question of whether you are employed or self-employed depends on the factual relationship you have. If HMRC

feel you are incorrectly calling yourself self-employed, when the reality of your relationship with the practice is that you are employed, then HMRC can tax you and the practice as if you were employed.

DEFINING YOUR RELATIONSHIP

It is important to make sure that you correctly define your relationship in the first place.

EMPLOYED

As a general guide as to whether you are an employee or self-employed, if the answer is 'Yes' to all of the following questions, you are probably an employee:

1. DO YOU HAVE TO DO THE WORK YOURSELF?

It may be that you have a contract that allows you to substitute someone else in your place which would mean you do not have to do the work yourself.

2. CAN SOMEONE TELL YOU AT ANY TIME WHAT TO DO, WHERE TO CARRY OUT THE WORK OR WHEN AND HOW TO DO IT?

Think about whether you choose when to work, or are told by your practice when you must work. Do you have clinical freedom when treating your patient or are you told what you must do?

3. CAN YOU WORK A SET AMOUNT OF HOURS?

Think about whether you can vary your hours.



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4. CAN SOMEONE MOVE YOU FROM TASK TO TASK?

5. ARE YOU PAID BY THE HOUR, WEEK, OR MONTH?

Or are you paid based on the number of patients you see and the fee they are charged?

6. CAN YOU GET OVERTIME PAY OR BONUS PAYMENT?

SELF-EMPLOYED

If the answer is 'Yes' to all of the following questions, it will usually mean that the worker is self-employed:

1. CAN YOU HIRE SOMEONE TO DO YOUR WORK OR ENGAGE HELPERS AT YOUR OWN EXPENSE?

Does your contract allow you to 'substitute' someone? Could you employ a nurse or secretary if you felt this would help you?

2. DO YOU RISK YOUR OWN MONEY?

If the number of patients you saw fell, would your income fall also?

3. DO YOU PROVIDE THE MAIN ITEMS OF EQUIPMENT YOU NEED TO DO YOUR JOB, NOT JUST THE SMALL TOOLS THAT MANY EMPLOYEES PROVIDE FOR THEMSELVES?

Or, if you use a dental chair, do you pay a rent for this?

4. DO YOU AGREE TO DO A JOB FOR A FIXED PRICE REGARDLESS OF HOW LONG THE JOB MAY TAKE?

For example, if a routine clean normally takes 45 minutes, but you decided it would take four hours – would it be fair to say you would not be paid extra?

5. CAN YOU DECIDE WHAT WORK TO DO, HOW AND WHEN TO DO THE WORK AND WHERE TO PROVIDE THE SERVICES?

6. DO YOU REGULARLY WORK FOR A NUMBER OF DIFFERENT PEOPLE?

More than one practice perhaps?

7. DO YOU HAVE TO CORRECT UNSATISFACTORY WORK IN YOUR OWN TIME AND AT YOUR OWN EXPENSE?

So, now you will have decided if you are employed or self-employed (or you found

my article so boring that you are no longer reading. I hope it is the former).

TAX RETURNS

If your status is employed, you will not normally need to complete a tax return unless HMRC send you one in which case you must complete it (approximately one in three employed people still receive a tax return) or you receive any income which you know you have not paid tax on (like rental income for example) or you are a sucker for punishment and ask for one even if you don't need to. If you are completing a tax return anyway, you can include details of your wholly, exclusively and necessarily incurred business expenditure there. If you do not have to complete a tax return, to get tax relief on your business expenses you will need to write to HMRC or fill in form P87 (you can go back up to four years if you have not claimed relief for past years).

'IF YOU ARE PRESCRIBED TO WEAR A CERTAIN TYPE OF FOOTWEAR IN YOUR PRACTICE, YOU CAN CLAIM £12 A YEAR... IF YOU ARE ENTITLED TO DO IT, WHY NOT?'

EXAMPLES OF QUALIFYING EXPENDITURE ON WHICH YOU SHOULD GET TAX RELIEF

1. ANNUAL RETENTION FEE (ARF)

Without this, you cannot work and so if your employer does not pay this for you (many don't), you will have to and this is tax relievable. There is a list of associations to which subscriptions made are tax deductible. Most of the dental ones can be found here: <http://www.hmrc.gov.uk/list3/d.htm>.

If your employer pays your annual fee for you, or you pay it and s/he reimburses it to you, remember this must be reported to HMRC on your P11D if you earn in excess of £8,500 per year (this is your employer's responsibility). Alternatively, your employer

can get a special dispensation from HMRC by completing a form P11Dx.

2. THE UP-KEEP OF YOUR UNIFORMS

If you must meet the cost of this, you can claim at a fixed rate of £100 per annum. <http://www.hmrc.gov.uk/manuals/eimanual/eim66795.htm>

3. THE REPAIR AND RENEWAL OF SHOES, TIGHTS AND SOCKS

Under section 336 and 367 of the ITEPA 2003, if you are **prescribed** to wear a certain type of footwear in your practice, you can claim £12 a year for the 'repair and renewal' of said footwear. In addition, if you are required to wear a certain type/style of stocking/tights, you can claim £6 a year. It may not be much – but it is so easy to make a claim and if you are entitled to do it – why not? <http://www.hmrc.gov.uk/manuals/eimanual/EIM67200.htm>

TAX RELIEF WHEN SELF-EMPLOYED

If self-employed, you can get tax relief on anything that is wholly and exclusively incurred in the course of your trade. This includes but is not limited to:

1. Annual registration fees and professional indemnity
2. Course fees for CPD courses you go on
3. Motor and travelling expenses to the extent that these are business related
4. Laundry expenses
5. Secretarial expenses (if perhaps you need a secretary to assist you – perhaps you work at a number of practices and cannot keep up with the admin yourself)
6. Stationery, computer and telephone expenditure (again to the extent that it is business related).

If you are self-employed you have to complete a tax return so you can just claim your expenses there (or you can get someone like me to help you with this!).

I love Plato just as much as the next person, but I have to defer to him when he says: 'When there is an income tax, the just man will pay more and the unjust less on the same amount of income.' It's all about being clued up and if that means you can pay less tax in a legal way – why not?



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