



By Priya Kotecha*

HOW TO PAY LESS

Part 1: dental nurses

Tax

Behind every successful dentist is an efficient dental nurse, but whilst you may be efficient at your work, good with patients and have a great working relationship with your dentist, are you being efficient in 'matters of the purse'? Could you possibly be paying any less tax than you already do?

As an employed dental nurse you are entitled to tax relief on expenditure that is incurred 'wholly, exclusively and necessarily' for the purpose of your work. This definition is slightly narrower than for self-employed individuals, who enjoy tax relief on expenditure so long as it is 'wholly and exclusively' for the purposes of their work. For you, this does mean that you have to justify an expense as being completely

necessary – otherwise you cannot get tax relief. HMRC's thinking behind this is along the lines of 'If it is that necessary, your employer will pay for it'. However, in reality there are many expenses you pay yourself and on these, you should definitely be claiming tax relief. Let's go through these, but before we do that, let's remind ourselves what we mean when we say tax relief.

Tax relief

Let's suppose you earn £24,000 a year. You are entitled to a personal allowance which is currently £8,105. On this amount you do not pay any tax. On the balance you will be taxed at 20%. If you incurred qualifying expenditure of say, £500, that would be worth 20% in tax relief to you because your highest rate of tax is

20%. So that is £100 back in your pocket. Also, don't forget that over the threshold you also pay employees' National Insurance on your salary (12%), and your employer pays employers' National Insurance at 13.8% (you don't have to pay the employee part after reaching state retirement age, but your employer still has to pay their bit). The employees' National Insurance and employers' National Insurance are referred to as class 1 NIC. Tax and the employees' National Insurance are deducted from your monthly pay and so you receive your income after this has been deducted. For this reason, there may usually be no need for you to complete a tax return as your employer maintains a payroll scheme through which s/he deducts your contributions and pays them across to HMRC. It should be noted, however,

**'It may not be much
– but it is so easy to
make a claim and if
you are entitled to
do it – why not?'**

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 and tights (legislation is careful to also include 'socks' for male dental nurses)

Under section 336 and 367 of the ITEPA 2003, if you are **prescribed** to wear certain type of footwear in your practice, you can claim £12 per 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>

Your pension pot

Remember also that your employer can pay into your personal pension plan on your behalf and you do not have to pay income tax or National Insurance on these contributions. In addition, your employer gets tax relief and does not have to pay employers' National Insurance, so if you want to top up your pension pot, asking your employer to pay contributions on your behalf (paying you a proportionately reduced salary in return) may be a very tax efficient way to do this.

Continuing professional development

Many of you will incur expenditure on CPD, but sadly, currently, this does not attract tax relief. The British Association of Dental Nurses (BADN) are lobbying for HMRC to recognise CPD expenditure incurred by dental nurses as tax deductible however, at present, they are maintaining their stance that this should

not attract tax relief. If you feel strongly about this and you do pay for CPD courses at your expense, you can play your part in lobbying HMRC by visiting <http://badn.org.uk/> (Ed's note: also see the news story in this issue of *Vital*.)

How do you claim relief?

If you are reading this in panic because you have never made a claim – don't worry – you can still do it! It is incredibly easy and you should be able to do it yourself without an accountant (shooting myself in the foot there!).

You are entitled to go back up to four years and can make a claim via a letter to HMRC or by completing and submitting backdating form P87s (one per employment per year).

If you wish to make a claim for the current year, if you complete a tax return anyway you can fill the details in there. Alternatively, you can download form P87 and complete and submit to HMRC. You can of course complete a tax return instead of completing form P87 but this will ask for details of all of your income (including bank interest etc) so if you don't already have to complete a tax return, it may be easier to just complete a form P87. If your expenses exceed £2,500 – you cannot obtain relief via P87 and must complete a tax return for relief. If you have more than one employment, you must complete a separate P87 for each.

In Part 2, we will look at the tax position of dental hygienists, in the winter issue of Vital published on 24 November 2012.



**Priya Kotecha ACA, DipPFS is a partner and Chartered Accountant with Mac Kotecha & Company, established for over 28 years, where she and the senior partner deal exclusively with dentists. They offer accountancy, taxation and payroll services in addition to invaluable advice on practice management, buying/setting up a practice and other dental issues. Contact on 020 8346 0391 or visit www.specialistdentalaccountants.co.uk.*

that approximately one in three employed individuals still have to complete a tax return (if you get sent one you must fill it in). In addition, if you are receiving any income gross (ie where the tax is not deducted at source) it is your responsibility to ask for and complete a tax return. An example of this is rental income.

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 ARF 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).