



The tide is turning against incorporation ... so now may be the time to review your decision.

Time and tide

Nick Ledingham says disincorporation may be the best option for NHS dentists.

In the past few years, many dentists have incorporated their practices to reduce their tax burden. For those working in the National Health Service, there were risks and uncertainties. Those risks have been realised for some dentists and as a result, there are now both principals and associates seeking to reverse the process.



Nick Ledingham

is a partner at specialist dental accountants Morris and Co.

The most important reason for disincorporating is the risk of losing your NHS pension. I hope NHS associates – referred to as performers by PCTs – have already disincorporated or they will lose their superannuation. You can't be incorporated and remain eligible for your pension. It's as simple as that.

For principals, there are two reasons why they might want to disincorporate. The first is that principals advised by non-specialist accountants have effectively not done the job properly and their incorporation is incomplete – usually because the contract has remained in their own name and a new contract has not been issued to the limited company.

Where these flawed incorporations have taken place with the contract remaining in the name of the

principal dentist, or provider, the income from the NHS contract effectively belongs to the dentist and income tax must be paid on it.

The second reason is that to remain eligible for membership of the NHS Pension Scheme principals must extract the bulk of the profit from the limited company and this means paying tax on it and losing many of the advantages of having a limited company. For some NHS principals, incorporation is not a good idea and that's the end of it.

Incorporation and disincorporation of NHS dental practices should be approached carefully and my advice is to get the advice of a specialist.

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