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BUDGET REACTION - Chancellor sugars the pill

In a budget that was widely expected to be 'safe' and perhaps even dull (arguably to avoid rocking the boat ahead of the EU referendum), Chancellor George Osborne was still able to raise a few eyebrows and introduce some eye-catching initiatives.

Chief amongst them from a public health perspective was the announcement of a sugar levy on sugary soft drinks coming into force from 2018 – allowing the industry time to adjust. The expected £520 million that is raised will be spent to help school sport.

The other of the most radical measures was the 'Lifetime ISA'. This will allow those who are under 40 to save up to £4000 a year to which the government would then contribute £1 for every £4 saved, up until the age of 50. It is seen to be aimed at encouraging homebuyers and those saving for retirement and other life events.

However, growth forecasts for the UK have been revised sharply downwards by the Office for Budget Responsibility as expectations of outlook for global economy is "materially weaker" and UK plc "not immune" to the slowdown elsewhere. However, the UK is still expected to grow faster than any other major Western economy.

Alan Suggett, Chartered Accountant and Media Officer for NASDAL (National Association of Specialist Dental Accountants and Lawyers) said, "Arguably the most significant changes announced are in relation to capital taxes. In the case of Stamp Duty Land Tax, with effect from midnight tonight the rates and limits are changed for commercial property but their impact is actually to reduce the SDLT paid on many properties. This is because the new rates will be applied only to the portion of consideration falling within each band. So, for example, a dental practitioner looking to purchase the freehold of a practice at a cost of £350k will find that under the new rules their SDLT cost will fall from £10,500 to £7,000 – a saving of £3,500."

There was good news for dentists across a number of other key areas:

- Capital Gains Tax - current rates are reduced from 18% to 10% for basic rate income tax payers and 28% to 20% for higher rate income tax payers – except for disposals of residential property (which do not qualify for principal private residence relief) and ‘carried interest’ from investment funds. Therefore anyone contemplating disposals giving rise to a CGT charge would benefit from deferring the transaction until after 5 April 2016.
- The reduction in the higher CGT rate from 28% to 20% means that those dentists contemplating a disposal of their practice but who, for various reasons, might not qualify for the Entrepreneurs Relief rate of 10% will be at less of a disadvantage.
- For those who have incorporated, corporation tax to be reduced by 1% to 17%
- Personal Allowance thresholds were raised to £11,500 and £45,000 for basic and higher rate tax respectively for 2017/18
- ISA annual tax free saving limits for all will increase from £15,000 to £20,000
- Annual threshold for small business tax relief to be raised from £6,000 to a maximum of £15,000, exempting many practices
- Class 2 National Insurance contributions abolished which should see a tax cut of more than £130 to many self-employed dentists

Charles Linaker, tax partner at dental accountant UNW LLP added a note of caution, “One area of concern for some dentists may be however, if they have been a bit lax in borrowing from their companies without ensuring that the cash taken out has been properly treated as either dividends or salary taxed under PAYE, they need to be aware that the rate of tax charged on ‘overdrawn loan accounts’ is to be increased from 25% to 32.5%.”

ENDS

Note to editors:

NASDAL, the National Association of Specialist Dental Accountants and Lawyers, was set up in 1998. It is an association of accountants and lawyers who specialise in acting for and looking after the accounting, tax and legal affairs of dentists. It is the pre-eminent centre of excellence for accounting, tax and legal matters concerning dentists. Its members are required to pass strict admission criteria, and it regulates the performance of its members to ensure high standards of technical knowledge and service.

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