

“SAFETY FIRST” FOR CHANCELLOR HAMMOND

27 November 2017 for NASDAL

Given the weakness of the Conservative Government as a result of the General Election and the tortuous negotiations with the EU over Brexit, it was perhaps no surprise that Chancellor Philip Hammond’s Autumn Budget should have avoided, if not evaded (!), making any major changes to the tax regime for the majority of businesses and individual taxpayers. However, Charles Linaker, a tax partner with UNW, which has a dedicated Dental Business Unit headed by NASDAL Media Officer, Alan Suggett, says that the Chancellor will still have to find ways of raising extra tax from somewhere and warns that dentists should be on their guard.

Those who are currently self-employed will recall that, in his Spring Budget earlier this year, Hammond announced increases to the rate of Class 4 NIC from 9% to 10% and then from 10% to 11%, which he then had to withdraw with indecent haste when it was pointed out that they breached a manifesto pledge made at the 2015 General Election. Had the Government been in a stronger position, those increases would surely have been reintroduced but the Chancellor confirmed that they will not now be implemented.

Similarly, dentists who operate via limited companies might have expected a possible reversal of the previously announced staged reduction in corporation tax rates, which many commentators thought could be implemented with relatively little controversy, not least because it would have been difficult for Labour to have opposed such a measure. But again, it was a case of no change as the Chancellor confirmed that 19% would remain as the rate for three years from 1 April 2017 and then fall to 17% from 1 April 2020.

On the personal tax side, Hammond could have decided to abandon, or at least delay, the previous proposals to increase the personal tax free allowance, but he confirmed that for 2018/19 this will increase from the current figure of £11,500 to £11,850 and that the basic rate band will increase for 2018/19 from the current figure of £33,500 to £34,500 (with the exception, it should be noted, of Scottish taxpayers).

Of course, it needs to be remembered that not everyone has the benefit of the full personal allowance. There is a reduction in the personal allowance for those with ‘adjusted net income’ over £100,000, which is £1 for every £2 of income above £100,000. So for 2017/18 there is no personal allowance where adjusted net income exceeds £123,000 and for 2018/19 there will be no personal allowance available where adjusted net income exceeds £123,700.

Capital Gains Tax was also left untouched in so far as the main rates of 10% and 20% remained unchanged and the annual exemption of £11,300 for 2017/18 was increased to £11,700 for 2018/19. Moreover, for any dentists contemplating retirement in the near future, not only did the 10% rate applicable for Entrepreneurs’

Relief remained unchanged, it was announced also that the Government will consult on how access to Entrepreneurs' Relief might be given to those whose initial holding in their company is reduced below the normal 5% qualifying level of shareholding as a result of raising external investment for commercial purposes by means of issuing new shares.

An early major casualty post-Election and pre-Budget had been HMRC's much vaunted Making Tax Digital ("MTD") programme whose implementation for income tax is now postponed until 2020 at the earliest – and later in the case of corporation tax. Only MTD for VAT will adhere to the original timetable from April 2019, which typically does not affect dental practices. Nevertheless, dentists would be well advised to plan on the basis that ultimately the proposed MTD requirement to file quarterly returns of income and expenditure to HMRC will be implemented.

A key argument from HMRC for the introduction of quarterly reporting under MTD is that it will help them close "the Tax Gap". While HMRC estimates that it loses more than £1.5bn a year in tax through avoidance schemes (in which at least some dentists will have participated), the Department reckons that it loses in excess of £5bn a year through the hidden economy (i.e. payments made cash in hand) and that SMEs pay a total of £15bn less tax a year than it estimates they should.

The statistical probability is that there will be some dentists in both of those categories and the Chancellor has allocated an extra £155 million in resources to HMRC in its continued war against evasion and avoidance. Given the Treasury's need for increased revenue, an increase in HMRC enquiries over the next few years is on the cards and the dental sector can expect to bear its fair – or possibly even unfair - share of attention. You have been warned.