

# Don't you love the HMRC?

**Lis Hughes** with advice on what to do when faced with an investigation from the HMRC

**Lis Hughes**

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'I love dentists' is not something you want to hear from an HMRC person unless he or she happens to be your patient.

The HMRC likes dentists because it perceives that many medical practitioners have a history of underpaying tax for various reasons. It could be because of the, now tainted, remuneration trusts or film schemes, a failure to retain proper records, mistakes on or missing tax returns, deliberate attempts to minimise tax (such as taking cash payments), or an inability to pay impending tax bills.

The truth of the matter is most dentists usually spend their day tending patients'

dental requirements and fixing their dental health. Like all businesses, tax is an incidental inconvenience that doesn't sit at the forefront of the mind. People, quite rightly, focus on their chosen profession, and providing for themselves and their families.

The HMRC, however, often seems to think tax should be the main focus, with businesses playing second fiddle. Add in the complexity of keeping up with NHS administration, and the HMRC believes there are rich pickings for uncovering mistakes.

## Investigations

Investigations are frequent – in 2010 HMRC launched the now finished 'tax

health plan' (THP) specific to doctors and dentists to encourage professionals with problems to come forward in an effort to save time and effort for the HMRC. It was quite successful. Consequently, the HMRC is more convinced dentists are at risk of paying insufficient tax.

Investigations are stressful, inconvenient and sometimes scary if you don't know what to expect. Your mind is taken over by 'what if?'. Even dealing with the HMRC if you just need more time to pay can feel like you are sticking your head in the lion's jaw.

There can be serious consequences for the unsuspecting practitioner, including paying interest and financial penalties, which will be higher for those who failed to participate in the THP when they should

have. Financial penalties can be substantial depending on the error, and, if fraud is involved, your name and details can be published.

But there is help available. Recently, Frank Taylor & Associates worked with a dentist who found himself under HMRC inspection and he turned to Intax, a specialist firm that includes ex-tax inspectors. The firm deals with almost any sort of tax trouble, be it needing time to pay, small enquiries into tax returns, cases where the HMRC has suggested (and believes) fraud has taken place, exits from tax avoidance schemes, voluntary disclosures or even criminal cases. If it's tax trouble, it can probably help.

For peace of mind, the best advice I can give is to be prepared – and if you think there is something wrong, seek help at the earliest opportunity. **D**

**IF YOU WOULD** like to know more, call Lis Hughes on 07968 191816.

## PRACTICE ONE - EAST LONDON

**Practice type** – this is a two-surgery mixed practice that occupies a two-storey property, situated within a residential road on the outskirts of a busy town centre. The practice is being sold as leasehold to facilitate retirement of the current principal.

**Practice gross** – the gross income at this practice was in the region of £180,000, of which 30% is private and 70% is NHS-GDS contract. The reconstituted profit shows a very healthy 43%. The income was generated by the principal working one day a week, an associate working five days a week and a hygienist working one day a week. The team is supported by a full-time and a part-time nurse, and two part-time receptionists.

**Price achieved** – a price of £420,000 was achieved, in excess of the asking price.

**Agent's comments** – this practice has started to show significant growth in the private income, and with one surgery not being fully used there is a great opportunity for the new owner to grow this element of the practice. The surrounding area is undergoing a massive development, with numerous housing estates under construction, and with few dental practices in the immediate vicinity there is little competition.

## PRACTICE THREE - HOME COUNTIES

**Practice type** – this is a three-surgery, mainly private practice, occupying a substantial two-storey detached building based within a busy parade of shops in a vibrant market town. It is being sold as freehold with ample street parking nearby.

**Practice gross** – the gross income is in the region of £450,000, and is 23% NHS-GDS contract, 50% private and 27% Denplan. The principal works five days a week, two associates work a combined four days a week and a hygienist working one day a week. They are supported by four full- and part-time nurses, a part-time manager, and a full-time receptionist.

**Price achieved** – a price of £1,130,000 was achieved, in excess of the asking price.

**Agent's comments** – in this case, the principal wanted to sell the practice to release himself from the administrative burden of running a dental practice. He will be staying on post completion and has agreed to reduce his days to accommodate the new principal who has little experience in private dentistry, so is appreciative of the support post-completion.

## PRACTICE TWO - NORTHAMPTONSHIRE

**Practice type** – this is a predominantly NHS, two-surgery mixed practice, occupying a shop-fronted property on a busy high street, with a mix of residential and commercial property. The sale includes the freehold and is being sold to facilitate the retirement of the principal. There are great public transport links and a municipal car park nearby.

**Practice gross** – the gross income is about £250,000, with 97% NHS-GDS and 3% private, the contract has a UDA rate of £23.50. The income was generated by the principal working four days a week, and an associate working one day a week. The team is supported by three full-time nurses/receptionists.

**Price achieved** – a price of £670,000 was achieved, which was in excess of the asking price.

**Agent's comments** – this practice shows a reconstituted profit of 53% and proved very popular. It needs a cosmetic refresh and has true potential, and while there are two surgeries, only one is fully in use. The new principal has an opportunity to develop the private side and has the space to do so.

## PRACTICE FOUR - SOUTH-WEST LONDON

**Practice type** – this is a predominantly NHS, five-surgery practice established for more than 50 years. The practice is being sold as leasehold with a 20-year term. The principal is selling due to relocation. It is run as a limited company and being sold as a share sale. The practice is situated on a high street location, with tube and rail links nearby.

**Practice gross** – the gross income is in the region of £750,000 and is a mix of 10% private and 90% NHS-GDS contract. The practice is associate-run and the gross is generated by six associates working a combined 18 days a week and a hygienist working four days a week. They are supported by a full-time practice manager, a full-time and part-time receptionist, and seven full-time nurses.

**Price achieved** – a price of £2,850,000 was achieved, in excess of the asking price.

**Agent's comments** – this substantial NHS practice was of interest to a number of parties, both corporate and non-corporate. The decision to not sell to a corporate was because the seller did not want a deferred consideration/retention, and the buyer was more than happy to pay the full 100%.

