

Dental accounts – your questions answered!

In the first of in a series of four articles, Nilesh Parmar speaks to some of the leading professionals in dentistry... and they're not dentists. They're the unsung heroes of the profession, the people who make a clinician's life easier and more productive



The idea for this came about after I started to get asked a lot of technical questions from my friends and colleagues. My reply to them was usually: 'I don't know, why not ask your accountant, lab technician, hygienist, and webmaster etc. The response I got was: 'I'm embarrassed to ask them, or I would feel stupid asking such questions.' We all have large gaps in our knowledge and there is nothing wrong with it, but hopefully, by reading these interviews, we shall plug some of these gaps.

I start the series with Priya Kotecha: she has been my accountant ever since I started making enough money to pay tax. Priya and her father are accountants who only deal with dentists. They are seriously clued up. They know about UDA values, goodwill, PCTs, superannuation, in fact the lot. Priya and I will liaise with one another usually once every few weeks and I firmly believe the reason I am in the financial position that I am in today is due to the good advice and guidance she gives me. When people tell me that their 'uncles' or 'best friends, husbands, wives etc.' do their accounts, it makes me shudder. Here's why.

NP: Obvious question, what makes a good accountant and what should I look for?

PK: You want someone with whom you are going to be able to have a good working relationship. Gone are the days when you only contacted your accountant once a year to do your accounts. These days it is increasingly important to get into the habit of having regular contact. I find it so frustrating when a client tells me about something they have just done when I know I could have saved them 'X' amount of money had they told me beforehand!

You will find that there will be times in your life when you have a lot of close dealings with your accountant, such as when you are buying a practice perhaps, or setting one up or spending a lot of money on your practice – but I always tell my clients to contact me before they make any large financial decisions – as in most instances such input from your accountant can help financially. Of course, you have to look for the basics as well – someone who specialises in dealing with dentists (it's not enough for them to have the title 'specialist dental accountant') ask them how many dentists they actually act for and you need someone qualified (look for an ACA, ACCA, FCA or FCCA after their name). Worryingly, anyone can call themselves an accountant, even you Nilesh!



Dr Nilesh Parmar BDS MSc MSc was voted Best Young Dentist in the East of England in 2009 and runner up in 2010. He was short-listed at the Private Dentistry Awards in the category of Outstanding Individual 2011. Nilesh has master's degrees in Prosthetic Dentistry from the Eastman Dental Institute and a master's degree in Clinical

Implantology from Kings College London. Nilesh is one of the few dentists in the UK to have a degree from all three London Dental Schools and is currently studying for his 3rd MSc in Orthodontics. His main area of interest is in dental implants and CEREC CAD/CAM technology. Nilesh runs a successful five-surgery practice close to London and is a visiting implant dentist to two central London practices. He was voted the eighth most influential person in UK dentistry in the Dentistry Top 50 poll and was the youngest person in the Top 10. For more, visit www.drnilshparmar.com.

NP: So, what's all this I hear in the news about the HMRC coming after dentists, what happens if I get investigated by them?

PK: First off – don't panic. Just because you are being investigated does not mean you have done anything wrong or are going to get into trouble. Contact your accountant and make sure you do not speak to HMRC direct. They have more powers now but, occasionally, do ask for things they are not entitled to see and you might not realise that but your accountant should. You should not let HMRC bully you. I am fiercely protective of my clients, this has got me into a few scuffles with tax inspectors in the past, but it all depends on the inspector. Some of them can be quite reasonable. Honestly!

NP: I assume there are costs associated with an investigation, will my accountant cover them, and do they have indemnity like dentists do?

PK: Absolutely. For example, we have a policy which covers you for the costs of an inquiry (sadly not the tax though) so long as certain conditions apply – like your tax return being filed on time.

NP: How much do you charge?

PK: That's a really hard question as it depends on your individual circumstances. Maybe I'll spill all later.

NP: My friend has his uncle do his accounts. Is that a good idea?

PK: Unless I'm the uncle (which I'm probably not) I would say no, unless he is also a qualified accountant who only deals with dentists!

NP: How much money will you save me? Can I claim my bar tab as a tax-deductible expense?

PK: Unfortunately, bar tab = not tax deductible. In terms of how much money I can save for clients, generally (hopefully) a lot, but hard to quantify as it does depend on individual circumstances.

NP: Can I also claim tax relief on my fancy sports car?

PK: Certainly, but only to the extent that you use it for business journeys. Commuting does not qualify as a business journey. Once you work out the correct proportion (which your accountant can help you with) you can claim tax relief on that percentage of all of your car expenditure like your fuel, repairs, road tax, insurance etc and even on the actual cost/value of the car by way of capital allowances. There is of course the option to opt for a more 'eco-friendly' car.

NP: What about my iPad, iPhone and digital camera – do I get tax relief on those?



Priya Kotecha (ACA, DipPFS) is a partner and chartered accountant with Mac Kotecha & Company, established for more than 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. Call 020 8346 0391 or visit www.specialistdentalaccountants.co.uk

PK: Absolutely – so long as you use these for work! When we talk about tax relief, we mean that the expense you are getting relief on is deducted from your income so you pay tax on that much less. Effectively, this means that if you are a 40% taxpayer, and you have a business expense of £100, it only ends up costing you £60 as you have had relief on 100% of it at 40% (£40).

NP: That sounds like a lot of record keeping. Dentists aren't always the best at keeping receipts – what do I need to keep every month?

PK: I would normally go through an accounting system that you should be following depending on your circumstances, the first time I see you. For a dental associate, the basic framework usually includes bank statements, credit card statements, monthly income schedules and cheque book stubs, but it does vary depending on how you receive your income and pay for your expenditure. Then, it's a case of reviewing what you keep and how you keep it as and when your situation changes.

Whether you are an associate or a practice owner, it is important not to spend too long keeping your records. I like to go through a simple system with my clients, one that avoids you having to waste your time recording things on spreadsheets!

NP: January and July are hard months – tax hurts! How much of my monthly income should I set aside?

PK: Increasingly there are tax saving strategies one can implement to hopefully make January and July less painful. Also, remember that if you have a limited company, the company's tax payment dates are different. In terms of how much to set aside, as a rough rule of thumb, self-employed dental associates should aim to set aside 25% of their net income every month towards their tax bill. If ever you find yourself in a position where you can't pay your tax, it is better for you to tackle it head on rather than bury your head in the sand. Get your accountant on the case – he or she should be able to contact HMRC, explain your situation and negotiate some sort of arrangement giving you a bit more time. If you have an agreement in place, HMRC cannot charge you penalties or surcharges – which they will if you simply do not pay.

NP: So, is it a good idea for me to form a limited company, a lot of my colleagues have done it, do they pay less tax that way?

PK: That depends very much on your individual position. Anyone who provides NHS treatment needs to tread carefully. If you are an associate, this will almost certainly render you ineligible for the superannuation scheme. If you are a practice owner, it could mean your associates will no longer be eligible to pay superannuation – which I am sure they will not thank you for. In the case of a practice, it is important to get some communication going with the PCT to gauge how they will feel about transferring the NHS contract to the company.

NP: Thank you Priya that has cleared up a lot of things. If you have any follow up questions for Priya she can be contacted on priya.kotecha@virgin.net or myself on drnilshparmar@gmail.com.

Next month, I talk to Shaz Memon from Digimax about practice marketing on the web.