



Budget Blues What's (Not) In It For You?



Harry Winter, Tax Partner

Increased income tax rates are in the news again!

The events of 22nd April 2009 (Budget Day) prompted me to take a brief trip down memory lane. Would you be surprised to hear, for instance, that in 1979 during the closing days of the Callaghan Government the top rate of income tax was 83%? This was followed by a graded series of banded tax rates until the basic rate was reached at 33%. In the Budget following the 1979 election Geoffrey Howe cut the top rate down to 60% and the basic rate to 30%. This cutting trend continued so that in his 1988 Budget Nigel Lawson reduced the top rate to 40% (whence it has stayed ever since) and the basic rate to 25%, with a commitment to reducing this to 20% in due course. Apart from the cuts, he made a virtue of simplicity since some six different tax rates had been reduced to two.

Gordon Brown finally announced the advent of the 20% basic rate in 2007, but unfortunately by that stage 'Simplicity' had followed 'Prudence' out of the window. Prescient of this was the 10p tax rate fiasco which required remedial action in the form of a mid-year increase

in personal tax allowances accompanied by a corresponding lowering of the higher rate tax threshold to make sure that those on higher incomes did not benefit. Such tinkering has now become the norm. In 2009/10 we have a lower rate of income tax at 10% (for savings and dividend income only) a basic rate at 20% (except dividends which in this tax band remain taxed at 10%) and a higher rate at 40% (except dividends which in this tax band are taxed at 32.5%).

Things having thus got worse are now destined to get much worse. From 6th April 2010 those with incomes in excess of £100,000 will find their personal tax allowances progressively eroded until they have abated altogether, leaving an effective income tax band between £100,000 and £112,950 of no less than 60%. There are complications in working out where the £100,000 tax threshold arises. Above £112,950 the effective tax rate drops again to 40% until the income reaches £150,000 at which point, like a crash gear box, it clatters up again to 50%. Added to this is the 1% Class 4 National Insurance charge, which was introduced with effect from 2003 and which has no ceiling. Further, the ability to mitigate tax liabilities by the payment of pension contributions has been severely curtailed and indeed the effect of this has been foreshadowed by temporary provisions which apply from 22nd April 2009. These rates do not quite match those of 1979 but they're on their way. In the meantime the Government's voracious appetite for public spending remains unabated and as we all know from recent headlines not everything goes on schools and hospitals.

Dental Business Solutions is acutely aware of this state of affairs and proposes shortly to write to each client individually to discuss their circumstances and what can be done about this Brave New World. As ever however in the meantime please do not hesitate to contact me direct if any immediate queries arise.

DentalBusinessSolutions



'What are friends for?'

Remember the four vultures in The Jungle Book who had never met an animal they didn't like? They were very talented vultures because they sang, "That's what friends are for" which included a chilling piece of double entendre.

Not for one moment am I suggesting that you have friends like them or indeed any like Oscar Wilde's who said "Real friends always stab you in the front" But there are times when the phrase "I have a friend who..." fills me with despondency. Let me explain.

Just recently we have had one or two prospective clients who having had good professional advice from bankers, financial consultants, graphic designers, website providers and the like have decided to seek a second opinion...from their friends! Now I'm pretty sure that all these friends have been well meaning, but the quality of the advice given can be at best mixed and at worst disastrous. There is no substitute for professionalism, as I am sure you would like your patients to understand, and often the friend along with the "pub accountant, pub solicitor and pub web designer" probably does not have the necessary experience to offer you the best possible advice.

When did Dental Schools start offering logo design lessons? An awful lot of dentists seem to believe they can design a better logo than a professional graphic designer. OK; but remember your brand is a perceived reflection of the quality of care you offer and cheap and nasty shouts very loudly from a poorly designed logo or an amateurish website.

Your patients deserve the best and so do you. By all means listen to your friends and their opinions but, if those opinions impact on your practice, then get them checked out by an experienced professional that you can trust, before you act on them, and just be glad that you weren't high on Bernie Madoff's Christmas card list.

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INFORMATION UPDATES

Credit Crunch & Dentistry: *A Banker's Perspective*

It is staggering how quickly the economic world has changed

Just think back 12 months and there was no outward sign of the financial storm which was about to hit. Yes, there were problems with the American Housing Market and we had the Northern Rock instability however this was not going to affect the main UK economy and Dental Market in particular – or was it...

Then came October 2008. All change... struggling banks, Government bailouts, job losses, big name brands failing, sizeable house price decline, weakening currency – need I go on... We are suddenly in the middle of a harsh economic winter.

With job insecurity rife and doom and gloom in evidence every time you turn on the news, the ordinary man and woman on the street are now thinking twice about spending their cash and there has been a sizeable reduction in discretionary spending. As a result the UK economy has shrunk over the past 6 months – officially a recession.

The general feeling is that most practices will feel some degree of pain as your patients become increasingly anxious about money – possibly putting off check-ups and treatments and seeking lower cost alternatives.

Now is the time to remain confident, be adaptable and flexible and to make full use of your existing resources - whilst you cannot control global economic events you can control your attitude towards them to see you and your practice through.

During these difficult times it is all the more important to focus on and work with your professional contacts (accountants, bankers, solicitors etc.). They will be able to benchmark you against other practices and provide guidance and tips to ensure you remain ahead of the competition.

Whilst dentistry is certainly not recession proof it remains one of very few sectors in the UK which the Banks feel will weather this economic turmoil. At the Royal Bank

/ NatWest we fully recognise the strengths of the dental market having been bankers to the Profession for over 60 years.

Royal Bank/NatWest remain very much 'open for business' when it comes to considering lending proposals for all aspects of dentistry including practice purchase, expansion of your existing practice, equipment purchase and individual buy-in.

Our lending criteria remain flexible with finance available to purchase Goodwill and we can still consider proposals up to 100% of practice value.

We are also adept at being innovative and creative in terms of potential structure of facilities and do not restrict ourselves to only traditional solutions – we will commit to explore different ways to 'make it happen' as we strive to tailor banking solutions to meet the specific requirements of your practice.

Of course, each case will be considered on its merits and will be assessed on the quality and background of the individual applicant.

The economic winter will certainly not last forever and spring will then be upon us – for some this will be a time of consolidation and for others a period of growth.

Whatever your situation, now is the time to speak with your Professional Advisors to ensure you are in good shape and best placed to take advantage of any opportunities.

About The Author - For more information, please contact David Brewer, Senior Healthcare Manager at the Royal Bank of Scotland. David has over 10 years' experience providing for the financial and banking needs of Dentists and other Healthcare professionals.

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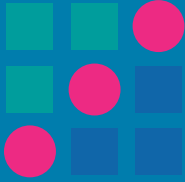
Changes to the National Minimum Wage Rates

From 1st October 2008 the national minimum wage rates are:

Ages 22+	£5.73
18-21 year olds	£4.77
16-17 year olds	£3.53

Please ensure that your employees are being paid in accordance with the minimum wage requirements as HM Revenue and Customs has the right to review your payroll records and it is considered a criminal offence to 'refuse or wilfully neglect to pay the NMW'. If you fail to pay the NMW you will be ordered to pay any backdated monies considered to be due to your employee(s).

If you have any queries on the above please do not hesitate to contact us.



INFORMATION UPDATES

Recruiting For Success!

Recruiting and retaining staff is probably one of the most challenging aspects of running a successful practice. Finding and making the best moves in your dental career is equally important. In this series, **Richard Lonsdale**, Managing Director of **Open**, a UK and Australian specialist recruitment business offers some practical advice on some common dental recruitment issues.

Recruiting for your practice

Many practice owners and managers are not experienced in recruitment; thankfully, recruiting staff is not an every day task! Finding and recruiting the right people, especially in the dental world, is certainly difficult.

The cost of bad recruiting is greater than often imagined causing damage to staff morale and the culture and reputation of a practice. Engaging a specialist recruiter will certainly improve the chances of attracting and hiring the best people into your business. However, for those that wish to undertake the process themselves I would recommend a structured approach.

Preparation

Decide on the best recruiting strategy, using a specialist recruiter will ultimately save you time, be more effective and offer some guarantees in the unlikely event that your new hire does not work out! Searching yourself may mean a smaller financial cost to the business and might be a more suitable option for certain roles within the practice.

Consider an outline of the ideal person to fulfil the role and create a job description. Include: purpose, responsibilities, duties, title, immediate manager and reporting personnel. Combine the two criteria to provide the basis for your advert.

Advertising

If you are advertising the position yourself, consider where it will generate the best results for the least cost. Plan and design the advert to promote your practice and make the position attractive to applicants, it should stand out from the rest to maximise response.

Application Form

For certain roles, a standard application form provides more relevant information than



a curriculum vitae (CV) and upon return provides a straightforward comparison, for objective selection.

A closing date for applications will manage timeframes.

Shortlist for interview

Shortlist a maximum of five candidates for interview, contact them by phone initially and follow with written confirmation of time and venue.

Interview

The interview has just one purpose, to select the right candidate for the position available.

A well-lit consulting room is generally a good place to interview. Provide reception staff with a list of candidates and schedules. Encourage staff to give opinions, this involves them and helps assess how a candidate might fit with staff and patients.

Read application forms before interview and highlight areas of discussion. Allocate one hour time slots, with no interruptions. If anyone is obviously unsuitable shorten this time!

Begin by introducing yourself, your position and function within the practice. Using open questions will lead the discussion and relax your candidate. Ask about their past career and talk about future personal and career ambitions. Take notes and encourage the interviewee to do the same, remember candidates can

access the notes you make. Using a scoring system can help you remain objective. Discuss the role, salary, holidays and benefits and offer a tour of the practice; it is equally important that they are right for you and that you are right for them!

The Offer

Make your final choice and telephone the first-choice candidate to break the good news!

Write confirming the offer, subject to satisfactory references. Take two references over the phone; sometimes you hear something that would not be committed to in writing!

Don't contact second choice candidates until your first has accepted and you have references, inform them you will hold their details on file, in case another opportunity arises and this will provide you an option if your first choice does not last!

Always send polite letters of rejection to unsuccessful candidates, remember they may be patients of the practice or have friends or family who are!

To find out more about **Open**, and the services they offer in locum and permanent recruitment, practices sales & acquisitions and working in Australia visit:

www.openrecruitment.com

call the UK office on 0345 0721004 or email: info@openrecruitment.com.



Tax credits are there to help you in tough times!

Penny Jones, Tax Manager

You may not have thought before about making a tax credits claim but for those of you whose taxable income is likely to be lower in 2009-10 – perhaps because you have recently started a business and are currently experiencing losses, or you are investing heavily in equipment for an existing business and are able to make use of the £50,000 Annual Investment Allowance - the following information may be of interest.

A tax credits claim is based on a couple's net income for a full tax year - a tax year runs from 6 April one year to 5 April the next. You don't have to have a spouse/partner or children to claim tax credits!

- People aged over 25 can qualify for the working tax credit if they work at least 30 hours per week, and their annual income is less than £13,250.
- Disabled workers aged 16 and over and working 16 hours per week can qualify for the working tax credit.

- Workers aged 50 and over and working 16 hours per week can make a claim.

- The working hours can be made up from more than one job, and this can include self-employment(s).

The tax credit office must be informed of changes affecting a tax credits claim as soon as they occur. For example, a single-person who starts living with a spouse or partner needs to remember to notify the tax credits office of this change.

The rules allow payments of tax credits to be back-dated by three months, thus a protective claim for tax credits has to be made by 5 July 2009 for the 2009-10 tax year. For example, if you make a claim for tax credits on 1 July, but you don't qualify until 1 November when your income goes down, HM Revenue & Customs (HMRC) will backdate your payments to 6 April. However if you wait and make the same claim on 6 September your payments will only be back-dated by three months to 6

June and you'll miss out on two month's payments. For this reason HMRC are actively encouraging people to submit protective claims, that is to claim early (before you think you might be able to get tax credits) so as to protect any future payments against only being back-dated by three months.

To claim tax credits a claim form has to be completed. Only you – the potential claimant - can order a tax credits claim pack but once you have the pack, we will be happy to help you by completing the claim.

If you would like to order a tax credits claim pack please call the Tax Credit Helpline on 0845 300 3900 or textphone 0845 300 3909. The helpline is open from 8.00 am to 8.00 pm every day.

Marketing Your Practice in a Recession

Michael Smith BDS

"I thought about it and decided not to take part"

Sam Walton founder of Walmart.

We know that Dental Business Solutions' clients are a self selecting group of unusual dental professionals; unusual because they have seen the wisdom of investing intelligently in the future of their practices and at no time is it more important to do this than during a recession, particularly a recession such as the current one, the like of which we have never previously experienced.

With the right outlook the present circumstances represent an opportunity to develop your practice in a positive way by engaging your patients and building a market share whilst it's better value to do so.

This is not the place to discuss marketing opportunities at length but interestingly something counter-intuitive is happening at Dental Business Solutions that I thought I would share with you.

Doubtless you will remember that after a long confinement this recession first saw the light of day as a credit crunch. Despite that, our patient credit facility Direct Dental Finance, has seen an increase in turnover, on a month by month basis by a factor of 50. Yes fifty that's not a typo. So why? Well for many patients with an increased dental wish list and a reduced credit card limit the opportunity to access credit, simply, at their dentist's practice is very attractive. Add to that several new clients who have taken a proactive slant on offering Interest Free and Interest Bearing

credit to their patients, keeping the costs to the practice to a minimum and reaping the benefits, (some turning over in excess of £20,000 monthly) and you have a huge success story.

If you are missing out on this opportunity don't hesitate to telephone for advice and remember that for all Dental Business Solutions clients implementing Direct Dental Finance into their practice there is no charge. There is however a requirement for a consumer credit licence. Details and costs are available on The Office of Fair Trading website www.ofc.gov.uk.

If we can help you with more marketing advice then please telephone and speak to me.