

As a dentist am I claiming all the tax-deductible expenses I can?

It's a question we are often asked. No one wants to pay more tax than necessary but rather surprisingly many dentists miss out on income that's rightfully theirs.

Hands up all of you who hasn't at some time or another paid for a work-related expense out of your own pocket and then either forgot or mislaid the receipt and so didn't make the claim for the tax relief?

It's not even necessary to keep receipts in every case. HMRC guidance is that there should be sufficient back-up evidence, eg bank statements, for all items of expenditure that are shown in the tax return. Admittedly, the term 'sufficient' can be a bit of a grey area but it will mainly depend upon the type and level of expenditure. The odd missing receipt for a small item such as taxi fare is fine, however the absence of receipts for larger expenses, such as computer equipment, will draw suspicion. It really is a case for common sense.

The same applies to what you can claim for. HMRC states all business expenditure allowable for tax purposes must be 'incurred wholly and exclusively for the purposes of the trade, profession or vocation'. Unfortunately, HMRC does not provide a definitive list but some of the more common ones are:

Accountancy fee	Laboratory fees
Advertising and promotion	Laundry
Associate fee	Motor and travel
Books and journals	Printing, postage and stationery
Cleaning	Professional subscriptions*
Computer costs	Repairs and servicing
Cost of materials	Staff salaries
Finance interest	Telephone costs
Insurance	Utilities

* HMRC publish a list of professional organisations and learned societies whose fees are tax deductible. For the latest version (updated Sept 2022) go to <https://www.gov.uk/government/publications/professional-bodies-approved-for-tax-relief-list-3>

Recording your expenses

Each self-employed dentist, principal, or associate, will have their own individual list. We advise dentists to take the following steps when recording their expenses:

- Compile the list of allowable business expenses using the list above as a guide
- Confirm the details with the practice manager and principal associates where appropriate
- Show the revised list to your accountant for their opinion and advice
- Prepare the final list of items that should be recorded and claimed
- Revise the list annually

Training and professional examinations

One area that often causes confusion for dentists is whether training courses and professional examinations qualify as allowable expenses. The condition here is that self-employed dentists can obtain relief on costs to update their skills but not to gain new expertise.

Let's define this. According to HMRC 'where attendance at a course is intended to give business proprietors new experience, knowledge or skills, which they lack, it brings into existence an intangible asset that is of enduring benefit to the business'. HMRC therefore take the view that the expenditure is of a capital nature. On the other hand, where the attendance is merely to update expertise which the proprietor already possesses, the cost is normally regarded as revenue expenditure and will be deductible.

Claims by associates

One other point worth noting is HMRC's approach to claims made by associates. As associate who is self-employed can obviously claim for his costs involved in the practice and should be encouraged to do so as this shows his genuine self-employed status in the eyes of HMRC. However, there must be no element of double-claiming.

It is highly advisable for the practice to have an expense-sharing contract between the partners in place, so expenditure items are claimed in the same proportion as stated in the agreement.

Business travel

Another grey area when it comes to expenses is that relating to business travel. If you only work in one practice you cannot claim for travel (or parking) from and to your usual place of work. Travel to courses, labs, call outs, visits to your bank manager or accountant are allowable. For dentists who work between practices, journeys between places for work made purely for business purposes are generally allowable as a deductible expense.

Working as a locum

Additionally, if you work as a locum through your own limited company or an umbrella company, there are a number of additional expenses if incurred whilst performing your business duties which are allowed by HMRC. These include:

- Subsistence (food and drink) costs incurred when working at a temporary workplace
- Mileage (at HMRC's approved rates or a percentage of total qualifying expenses)
- Parking, tolls and congestion charges
- Public transport costs to and from the temporary place of work
- Accommodation, such as hotel costs for overnight stays or rental cost of a property used on working days
- Work-related training

To conclude

It is always best to keep good financial records. Not only will this make completing your tax return less onerous, you will also have the evidence to support any enquiry made by HMRC. Also, with Making Tax Digital for Income Tax being introduced from April 2024, now is the ideal time to consider an online accounting package rather than relying on manual spreadsheets.

We have software, specially adapted for dentists, to help with the task of converting your existing records and we can assist in setting you up with online accounting.

For more information about our services for dentists please contact Martin Southern at m.southern@morriscrocker.co.uk or call **023 9248 4356**