

valuing goodwill in the Dental Practice

Despite the country going through a stage of economic recession, there continues to be demand for the acquisition of Dental practices across the UK. The larger Corporates remain active in acquiring privately owned practices and there continues to be the more natural progression of Associate (or Associates) acquiring a practice from the long serving, now retiring, principal.

Whilst most industries and professions have seen a downturn in activity and in values, the Dental profession has seen a tendency for continued high valuations of goodwill. These values have historically been calculated on the traditional approach, based on a % of turnover (gross annual fees received). Recent years have seen goodwill values at between 60% and 120% of turnover, with the average being in the 80-100% range. Interestingly, the value of an NHS Contract has been at the higher end of the scale, with private fees and income at the lower end. This approach to valuing goodwill is almost 'exclusive' to the Dental profession and we may now see a change to goodwill being based on EBITDA (Earnings Before Interest, Taxes,

Depreciation and Amortisation), which is the approach used more commonly when valuing goodwill in most other businesses and professions. Usually a multiple, often between 3 and 10, will be applied to EBITDA, dependant upon the industry and individual circumstances. With the current trend of rising costs, it would appear a goodwill valuation based on net retained profit may now be more appropriate.

Other key issues when valuing the goodwill of a dental practice (in addition to the gross annual turnover) will be location of the practice; condition of the premises, equipment and facilities; terms of any ongoing contracts and leasing arrangements; ability and reliability of existing associates and support staff; and, perhaps most importantly, the willingness of the local PCT to transfer the existing NHS contract to the acquiring party.

The future changes to NHS Dentistry, with the introduction of a centralized body to replace local PCT's may impact on future sales and transfers of NHS contracts. It will be interesting to see what the future holds, if acquisitions continue to flourish and, if so, which approach is taken to valuing goodwill.

For dentists, or principals, thinking of selling, now appears to be a good time to do so, with healthy goodwill values across the country and with the current Capital Gains Tax legislation effectively giving a 10% tax charge, this may encourage more disposals in the near future.



NHS Direct call centre could book GP appointments

NHS Direct call centres could book GP appointments remotely if pilot schemes which are being planned prove to be successful.

Plans have been drawn up following a report commissioned by the Department of Health last year which claimed that millions of pounds could be saved each year if national or regional call centres were set up to operate the NHS Direct urgent care line, in-hours triage, and GP appointment booking systems jointly.

A pilot scheme will be launched in Surrey by a consortium of 20 practices called ESyDoc, and talks with a further eight GP consortia in areas across England have begun.

Patients wishing to make an appointment with their GP will be asked to contact NHS Direct first on their new non-emergency medical number, 111, to speak to a call centre that will book their appointment remotely.



GPs in favour of the proposal believe it will streamline administration methods, reduce costs and free up receptionists' time, allowing them to carry out other roles more efficiently.

However, those against the proposal, including Unison, the trade union representing GP receptionists, have claimed the process would become depersonalised, resulting in poorer customer service, longer wait times and potential job losses.

The Department of Health has released a statement saying that the core purpose of NHS 111 is to provide an easily recognisable, free

and effective service for non-emergency care, and that it will only be used to book patient appointments if GPs agree it would improve current booking systems and the operational efficiency of their practices.

Some GPs have expressed doubt about whether NHS Direct has the capacity to deliver the service, and suggest that the scheme is merely an attempt to secure the call centre a continued role within the NHS taking account of the coalition Government's plans for the reform of the health service.

tax saving tips for high earners

From 6 April 2010 many high earners faced a significant increase in the level of income tax they pay, with the loss of personal allowance for those with taxable income exceeding £100,000 and the introduction of the 50% tax rate on taxable income over £150,000.

In addition, the emergency budget back in June 2010 saw a rise in the rate of capital gains tax payable on the disposal of non business assets from 18% to 28% for higher rate tax payers.

Many individual's working in the healthcare sector are likely to be affected by these tax increases and therefore it is now a more important time than ever to ensure your affairs

are organised as tax efficiently as possible. Below are a number of tax saving tips which could help reduce your tax burden.

1. **Ensure you are claiming all possible expenses**

Check with your accountant that you are claiming all the expenses you are entitled to. Rules on claimable expenditure frequently change and it is important that your accountant is on top of this to ensure you are not losing out.

2. **Consider bringing any planned capital expenditure forward**

Generous tax allowances are currently available for plant and

machinery purchased by businesses, with the first £100,000 of annual expenditure attracting 100% relief against profits. This limit is set to reduce to £25,000 from 6 April 2012 so if you are planning to invest in new equipment it is worthwhile bringing the expenditure forward to make full use of this allowance.

3. **Put non-earners allowances to work**

If your spouse does not earn or earns less than the higher rate tax threshold, you could consider moving any income generating assets into their ownership so that this is taxed at a lower rate. By

splitting the ownership this can also result in capital gains tax savings if non business assets are sold.

4. Maximise pension contributions

If you are not already contributing the maximum amount into a pension scheme you should consider this option as additional tax relief is available for higher rate tax payers.

5. Structure your business via a limited company

Tax savings can generally be made by structuring your business via a limited company. This is not always appropriate for all business in the healthcare sector but is worthwhile speaking to your accountant to see if you can take advantage of this.

6. Choose tax efficient savings

Savings schemes are a good way

to reduce your tax bill and build a nest egg for the future. Simple steps like using up your annual ISA allowance can cut significant amounts off your tax liabilities.

By taking a pro-active approach to tax there is scope to make significant savings particularly in view of the latest income tax rises. Please speak to your specialist healthcare accountant to discuss how they can assist you with minimising the amount that you hand over to the taxman.

in brief..

MPs want clearer rules on dealing with failing GPs

MPs have called on the General Medical Council (GMC) to provide guidance on dealing with under-performing GPs through the new revalidation scheme. The scheme, which is set to be rolled out late next year, will see doctors undergoing five-yearly appraisals to ensure they remain fit to practise. However, in a report on the plans, MPs on the health committee have said more clarity is needed on how "doctors whose practice gives cause for concern" are to be dealt with.

There is more on this story at: <http://snipurl.com/264kyl>

New prescriptions app saves time on wards

A new app allowing doctors to access prescription information via their Smartphones has been launched by NHS Tayside. The app, which can be used without an Internet connection, lets doctors search for drugs and check best prescribing practice. Karen Melville at NHS Tayside said: "Some of the feedback from junior doctors told us it was often difficult for them to access the formulary when they need to."

There is more on this story at: <http://snipurl.com/264kzn>

Walk-in 'Darzi' health centres to be scrapped

The network of open-access, walk-in health centres set up under the Labour Government are to be scrapped. The centres were introduced by former health minister Lord Darzi to provide care from 8am-8pm, seven days a week, to unregistered patients without appointments. But Primary Care Trust chiefs have been told that when the centres' current contracts expire they will either be re-commissioned as list-based practices or have patients transferred elsewhere.

There is more on this story at: <http://snipurl.com/264l0k>

Call for monthly checks on care home prescribing

Monthly reviews have been recommended by researchers as a way of improving prescribing standards in care homes. Similar reviews are compulsory in the US, and academics at Imperial College London and the School of Pharmacy believe they should be adopted in the UK. In a study published in the Age and Ageing journal in January, the researchers concluded that the reviews would be most effective as part of a "combination of two or more interventional strategies" to improve care home prescribing.

There is more on this story at: <http://snipurl.com/264l27>

Proposed fees for surgeries could hit rural GPs

Plans to charge hefty fees to GP practices could force small rural surgeries to close, the British Medical Association (BMA) has warned. The Care Quality Commission (CQC) wants to group GP surgeries in the same category as dentists, subjecting them to fees of around £1,500 regardless of their size and funding levels. Responding to a CQC consultation on the issue, the BMA said the fees could render valuable practices serving rural communities "financially unviable".

There is more on this story at: <http://snipurl.com/264l1h>

Late QOF pay-outs could push surgeries into top tax band

Surgeries could face unexpected tax bills if overdue payments from the Quality and Outcomes Framework (QOF) push their income for 2010/11 over the £150,000 higher tax threshold. The payments, which date back as far as 2004, are the result of an error in the national database which determines practices' QOF rewards, and range from 9p to £21,000 in England. The error also means that Scottish practices are set to receive an average of £750 each in repayments, but surgeries in Wales and Northern Ireland are unaffected.

There is more on this story at: <http://snipurl.com/264l2w>

specialist pension and retirement advice for doctors

The government plans dramatic cuts to tax relief on pension savings, in a move that will hit the pockets of many higher earning doctors.

2011 – Annual allowance cut by £205,000

- From 6 April 2011, the annual allowance for tax-relieved pension savings will fall from £255,000 to £50,000, including all individual and employer pension contributions.
- Tax relief, thankfully, will continue to be offered at a taxpayer's highest marginal rate. So, for a 50% taxpayer, £50,000 of

pension contributions will effectively cost £25,000.

- For defined benefit schemes e.g. the NHS Pension Scheme, deemed contributions will be based on a factor of 16, up from 10. Meaning, an increase in annual pension benefit of £1,000 would equate to £16,000 of contributions.
- An unexpected boon is a three year carry forward rule, allowing individuals to carry forward any unused allowance from the previous three tax years to the current tax year.
- For those making Personal Pension Contributions it is essential they review their situation before 5 April 2011, simply stopping contributions may not avoid an unexpected tax charge under the new regime.

allowance, which restricts the overall amount of tax-relieved pension savings, will be reduced from £1.8 million to £1.5 million.

- Transitional arrangements will apply for individuals who were relying on the current rules, although specifics have yet to be confirmed by HMRC.

Review pension arrangements ahead of April's cuts

The good news is there are opportunities to maximise the use of current tax reliefs. However, as with any change in legislation, the devil is often in the detail. This is why talking to an expert is so important.

AWD Chase de Vere, is a UK200Group Prime Partner. As BMA Services, AWD Chase de Vere is the only IFA endorsed by the BMA to advise its members.

2012 – Lifetime allowance cut by £300,000

- From 6 April 2012, the lifetime



Chartered Accountants & Business Advisers

Countrywide House, 23 West Bar
Banbury, Oxfordshire OX16 9SA
Tel: 01295 250401
Fax: 01295 271375
mail@ellacotts.co.uk
www.ellacotts.co.uk

If you would like further information on any of the articles in this newsletter please contact David Saunders on the telephone number above or email dsaunders@ellacotts.co.uk or Emma Alcock ealcock@ellacotts.co.uk

Registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountant in England and Wales. Details about our Audit Registration can be viewed at www.auditregister.org.uk under the reference number C001386037.

Ellacotts LLP is a Limited Liability Partnership registered in England and Wales. Registered Number: OC319580. A list of members is available for inspection at the offices of the firm.



The UK200Group is a modern and proactive professional membership association of independent chartered accountants and lawyers. It provides products and services to enhance the performance of member firms. As well as being focused on general small to medium size businesses, members have specialist knowledge and experience of the agriculture, healthcare, charities, legal and property & construction sectors to provide effective support and advice on tax, financial management, business planning and legal issues.

www.uk200group.co.uk

This newsletter has been prepared for general interest and it is important to obtain professional advice on specific issues. We believe the information contained in it to be correct. While all possible care is taken in the preparation of this newsletter, no responsibility for loss occasioned by any person acting or refraining from acting as a result of the material contained herein can be accepted by the UK200Group, or its member firms or the author.

UK200Group is an association of separate and independently owned and managed accountancy and lawyer firms and as such each has no responsibility or liability for the acts or omissions of other members. UK200Group does not provide client services and it does not accept responsibility or liability for the acts or omissions of its members.

pharmacists and community contracts

Community pharmacy contracts should be held by individual pharmacists, not pharmacy owners, a pharmacists' group has said.

The Pharmacists' Defence Association (PDA), which represents the interests of NHS pharmacy contractors, believes such a change could help reduce the number of disputes between pharmacy owners and pharmacists. PDA chairman Mark Koziol told the PDA's annual conference in February that such disputes could hamper services, and said that the group wanted to work with other pharmacy organisations towards a model that would put pharmacists 'out of harm's way'.

He said: "The number of employer-locum disputes continues to grow, and that is one of the main reasons why we've spent so much time, effort and energy in trying to drive this individual contractor model. . . It could be the difference between us being able to

successfully deploy new services or not".

The call came as part of a wider PDA proposal to introduce 'clinic pharmacists', who could provide long-term services to patients registered with pharmacies.

In online comments following the conference, Mr Koziol said: "As well as providing a significantly improved patient journey, reducing waste, improving compliance and reducing the prospect of iatrogenic disease, the 'clinic pharmacist' would alleviate the pressure on GPs and this would enable them to focus on more complex and acute presentations so as to prevent unnecessary hospital admissions."

He added that in such circumstances the pharmacist would need to 'practise as an autonomous healthcare professional', meaning that "the 'clinic pharmacist' would hold the contract for this new service".