

Samera's 5 Steps for dentists to a Limited Company

1. Feasibility

- Is incorporation right for you?
- Advantages/ disadvantages of Ltd co's
- Evaluation of current business performance
- Evaluation of current business systems

2. Tax Planning

- New practices may benefit from being Ltd from the start
- Existing practices convert using either
 - S162
 - S165
- Identify most tax efficient method
- Valuation of existing practice

3. Forming a company

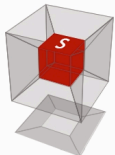
- Select company name
- Form company with Companies House
- Open bank account
- Legal work associated with formation
- Cease sole trader/ partnership business

4. Maintaining a company

- Onerous Director's responsibilities to Companies House
- Maintaining excellent books and records

5. Annual reporting

- Prepare annual company accounts
- Submission of accounts to Companies House
- Company secretarial work to be performed
- Company subject to corporation tax

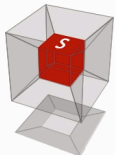


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1. Feasibility

- ❖ Separate legal entity
- ❖ Independent of its owners/shareholders
- ❖ Limited liability
- ❖ Infinite existence – although ownership could change hands from time to time
- ❖ Operates in a much regulated manner

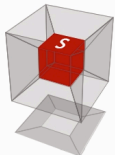


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Should I Incorporate?

- From a taxation point of view, the answer depends on.....
- Your current and future earnings
- Your tax bracket
- The remuneration methods you choose
- Tax laws
- Seek expert advice to evaluate your specific circumstances

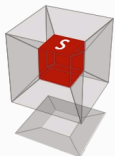


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Key Advantages!

- Limited liability as compared to being a sole trader or partner
- Perceived status
- Easier to transfer ownership
- Better organisational form when two or more owners are involved!
- Potential tax savings
- Opportunities for growth/expansion

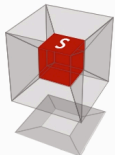


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The Disadvantages!

- Wider responsibilities as directors!
- Much tighter financial controls - bureaucracy
- Fines and charges for late filing
- Additional tax liabilities due to “benefits in kind”
- Perceived wider “social responsibility”
- Setting up costs, admin costs and annual accountancy charges

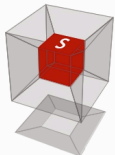


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Questions:

- What is my current business performance?
- Does the performance justify incorporation?
- Do I have sufficient systems in place to be a limited liability entity?

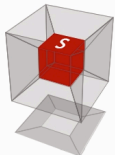


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2. Tax Planning

- New start up practices have a much straight forward way i.e. commence operations as a limited company from inception
- For existing practice owners, it's slightly complicated

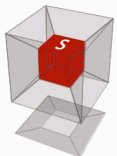


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Existing practice?

- It's a process of transferring existing assets and liabilities into a Ltd Co
- Careful tax planning is necessary to identify tax planning opportunities
- Two main approaches to transfer assets and liabilities
 - A. Transfer in exchange of shares
 - B. Transfer by way of a "sale at under-value"
- An up to date valuation of the existing practice will be required

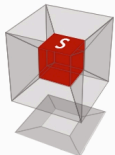


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A – Transfer in exchange of shares

- Form a Ltd Co.
- Transfer the sole trader / partnership in exchange of shares in the new Ltd Co.
- To qualify for tax relief, all business assets should be transferred
- Assets to be transferred at their current market values in exchange of shares in the Ltd Co
- You will not pay CGT, if the consideration is represented by shares

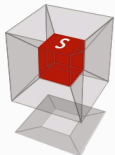


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A – Transfer in exchange of shares

- From Company's point of view, future CGT liability can be minimised since assets are transferred at market values
- Owner cannot choose which assets to transfer, hence if land buildings are involved it'll attract stamp duty
- Could be attractive to dentists operating from rented premises

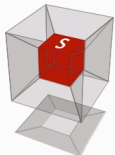


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B - Transfer by way of a “sale at undervalue”

- Form a Ltd Co
- The required level of capital in the company would then be raised by issuing shares
- Assets owned by the sole trader or partners can then be transferred in to the Ltd Co as gift or at value that'll not attract CGT

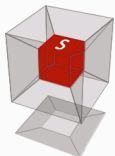


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B - Transfer by way of a “sale at undervalue”

- However, assets should qualify as business assets
- Advantages
 - ✓ No CGT on incorporation
 - ✓ Owner can select which assets to transfer and which assets to retain
 - ✓ Retained assets, such as buildings could be used to draw money from the Ltd Co by renting etc

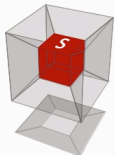


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B - Transfer by way of a “sale at undervalue”

- Disadvantages
 - ✓ Ltd Co could potentially pay more CGT, (on disposal) since assets were acquired at very low cost
 - ✓ Directors could potentially pay more CGT (on disposal of shares) since shares were allotted for a nominal consideration

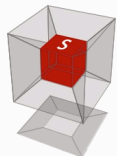


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3. Forming a company

- Formation of a new Limited Company
- Whether a start up or an existing dental practice first step is to form a Ltd Co.
- Two options are available
 - Buy an “off the shelf company
 - Create a new company with your chosen name
- Bank account set up for new entity
- Cease sole trader/partnership business

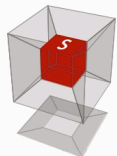


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4. Maintaining a Company

- Day to day responsibilities of directors
- Directors are personally responsible for the following
 - ✓ Submission of annual accounts
 - ✓ Submission of annual return
 - ✓ Notify change of directors, secretaries or their particulars
 - ✓ Notify change of registered office address

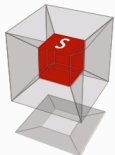


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Tight regulation

- Final responsibility lies with the directors, even if the above work could be delegated to third party
- One of directors should be nominated as the company secretary and he/she should ensure the following
 - ✓ Maintain a register of shareholders
 - ✓ Maintain register of directors and secretaries

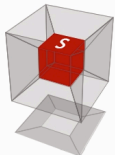


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Company Secretarial Issues

- ✓ Maintain a register of directors' interests
- ✓ Ensure all statutory forms are submitted on time using prescribed forms
- ✓ Convey AGM etc and meetings to pass special resolutions
- ✓ Provide copies of the annual accounts to shareholders
- ✓ Maintain minutes of board meetings and general meeting

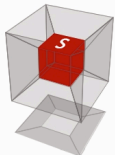


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Extracting profits

- Further tax planning opportunities / tax efficient opportunities to extract profits
- Withdraw profit in the form of a dividend and a salary
- Employ your spouse
- Let personal property to the company

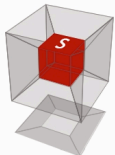


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5. Annual Reporting

- Prepare annual accounts
- Submit to Companies House annual accounts – public disclosure of information
- Preparation of Annual Corporation Tax calculations
- Further tax planning



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