

# HOW TO PAY LESS

## Part 2: dental hygienists

# Tax

By Priya Kotecha\*

**I**f you work as a dental hygienist, you can either be working as a self employed individual or as an employee. Does it really make any difference to you or your practice in terms of tax?

Yes! There is a big difference. If you are employed, your practice must deduct tax and employees' National Insurance from your pay which means that they must operate a PAYE system. They also have to pay employers' National Insurance on top of this – a whopping 13.8% of your pay.

For you, if you are self employed, you can get tax relief on anything that is wholly and exclusively for the purposes of your trade. If you are employed, however, the expense must also be incurred necessary to get tax relief. (When we talk about tax relief, we mean that

your taxable income is reduced by the amount of tax relievable expenditure you have, so effectively, you pay tax on that much less.)

So, from a tax point of view, many people prefer to be self employed BUT it doesn't matter what you and your practice call it or how you choose to pay tax; the question of whether you are employed or self employed depends on the factual relationship you have. If HMRC feel you are incorrectly calling yourself self employed, when the reality of your relationship with the practice is that you are employed – they can tax you and the practice as if you are employed.

This is why it is important to make sure that you correctly define your relationship in the first place.

### Employed or self-employed?

As a general guide as to whether you are an employee or self employed – if the answer is 'yes' to all of the following questions, you are probably an **employee**:

#### 1. Do you have to do the work yourself?

It may be that you have a contract that allows you to substitute someone else in your place which would mean you do not have to do the work yourself.

#### 2. Can someone tell you at any time what to do, where to carry out the work or when and how to do it?

Think about whether you choose when to work, or are told by your practice when you must work. Do you have clinical freedom when treating your patient or is it dictated what you must do?

#### 3. Can you work a set amount of hours?

Think about whether you can vary your hours.

#### 4. Can someone move you from task to task?

#### 5. Are you paid by the hour, week, or month?

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Or are you paid based on the number of patients you see and the fee they are charged?

#### 6. Can you get overtime pay or bonus payment?

If the answer is 'yes' to all of the following questions, it will usually mean that you are **self-employed**:

#### 1. Can you hire someone to do your work or engage helpers at your own expense?

Does your contract allow you to 'substitute' someone? Could you employ a nurse or secretary if you felt this would help you?

#### 2. Do you risk your own money?

If the number of patients you saw fell, would your income fall also?

#### 3. Do you provide the main items of equipment you need to do your job, not just the small tools that many employees provide for themselves?

Or, if you use a dental chair, do you pay rent for this?

#### 4. Do you agree to do a job for a fixed price regardless of how long it takes?



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For example, if a routine clean normally takes 45 minutes, but you decided it would take four hours – would it be fair to say you would not be paid extra?

5. Can you decide what work to do, how and when to do the work and where to provide the services?

6. Do you regularly work for a number of different people?

More than one practice perhaps?

7. Do you have to correct unsatisfactory work in your own time and at your own expense?

The nature of a dental hygienist's work is such that usually the relationship should be classed as a self employed one, but a badly written contract may jeopardise its true nature. Make sure your contract doesn't and seek help from your specialist dental accountant to get you started on the right path or point you in the right direction if your contract needs help.

### Tax relief

Now you will have decided if you are employed or self employed. If employed, you can get tax relief on anything that is wholly exclusively and **necessarily** incurred in the course of your employment, most commonly annual registration fees, professional indemnity etc.

If self employed, however, you can get tax relief on anything that is wholly and exclusively incurred in the course of your trade. This includes but is not limited to:

1. Annual registration fees and indemnity
2. Course fees for CPD courses you go on
3. Motor and travelling expenses to the extent that these are business related
4. Laundry expenses
5. Secretarial expenses (if perhaps you need a secretary to assist you – perhaps you work at a number of practices and cannot keep up with the admin yourself)
6. Stationery, computer and telephone expenditure (again to the extent that it is business related).

If your status is employed, you will not normally need to complete a tax return unless HMRC send you one in which case you must complete it (around one in three employed people still receive a tax return) or you receive any income which you know you have not paid tax on (eg rental income). If you are completing a tax return anyway, you can include details of your wholly, exclusively and necessarily incurred business expenditure there. If you do not have to complete a tax return, to get tax relief on your business expenses you will need

to write to HMRC or fill in a form P87 (you can go back up to four years if you have not claimed relief for past years).

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If you are self employed, you will need to complete a tax return and this is where you must claim relief on your business expenses. If self employed, it really is best to appoint a specialist dental accountant so that you can be sure that you are claiming the maximum relief possible and also to ensure that this is being done in the correct way so you are able to satisfy HMRC should they query. Your specialist dental accountant will also show you how you need to be keeping your accounting records and what exactly you need to keep and also how this can be done with minimum effort and time on your part.

If you feel a little miffed by tax in general, I will leave you with the words of Albert Einstein, which should make you feel a little better: *'The hardest thing in the world to understand is the income tax.'*

How to pay less tax. Part 1: dental nurses was published in the autumn issue of Vital. In the spring 2013 issue of Vital we will look at limited companies.

