BRIGHTVIEW ACCOUNTANCY
SPECIALIST DENTAL ACCOUNTANTS

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BUDGET 2025- What it Means for Dentists

The 2025 Budget will affect dentists, for both those trading as sole traders as well as limited companies. With income tax thresholds frozen until 2031, earnings increases may push more income into higher tax bands, even if day-to-day pay doesn't rise. Those with savings, interest-bearing accounts, or rental property income will also feel the impact, as taxes on savings and property income rise by two percentage points from April 2027, reducing net returns. This is particularly relevant for dentists relying on property income or savings to supplement their clinical earnings.

Dentists operating via a limited company and drawing a small salary plus dividends will also see dividends taxed more heavily, with rates increasing by two percentage points from April 2026. This reduces the tax advantage of extracting profits, although corporation tax remains unchanged, meaning profits retained in the company for reinvestment are unaffected.

Overall, the Budget increases the tax burden on dental entrepreneurs with mixed income streams, while the soft launch of Making Tax Digital penalties gives small dental businesses some breathing space before enforcement.

To help navigate these changes, at BrightView Accountancy, we are offering no-obligation 30-minute calls where dentists can ask questions about how the Budget affects them personally - the easiest way to schedule your 30-minute session is via our website.

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Overall Impact for Dentists
Whether you're employed, self-employed or receiving mixed income (salary, dividends, savings), this Budget means higher tax bills over the next few years. Even without big pay rises, dividends and savings will be less tax-efficient. It may be worth reviewing how you take income and where you hold your savings.

We are offering free 30-min consultations to explain what the budget means for you

Book via www.brightviewaccountancy.co.uk

INCOME TAX

Income tax thresholds will remain frozen for a further three years to 6 April 2031

From 6 April 2026, the ordinary (basic) and upper (higher) dividend rates will rise by 2% to 10.75% and 35.75% respectively. The additional rate will remain at 39.35%

PROPERTY INCOME TAX

From 6 April 2027:-

Property income will be taxed at 22% (basic), 42% (higher), and 47% (additional).

Reliefs and allowances will only be applied to property, savings and dividend income after they have been applied to other sources of income.

ISA REFORM

Overall ISA subscription limits will remain at £20,000 until 2020/31.

However, from 6 April 2027, the subscription limit for cash ISAs will be limited to £12,000 for those under the age of 65.

SAVINGS INCOME RATE

From 6 April 2027

The savings basic, higher and additional rates will each increase by 2% to 22%, 42% and 47% respectively.
The starting rate for savings will be maintained at £5,000 until April 2031

OTHER MEASURES

PENSION CONTRIBUTIONS & NIC
From April 2029, only the first £2,000 of employee pension contributions through salary sacrifice each year will be exempt from NICs. Employers will need to report the total amount sacrificed through their existing payroll software.

EV MILEAGE TAX
A new mileage tax for electric vehicles from April 2028. The mileage tax charge will equal £0.03 per mile for battery electric cars and £0.015 per mile for hybrid vehicles.

Elsewhere, non-electric vehicle owners will have to pay more at the pump, too. The government is set to freeze fuel duty for a further five months before rolling out staged increases from September 2026.

UPDATES TO PENALTY REGIME FOR SELF-ASSESSMENT
No late submission penalties for quarterly updates during the 2026-27 tax year for Income Tax Self-Assessment (ITSA) taxpayers required to join Making Tax Digital (MTD).

The government will apply the new penalty regime for late submission and late payment to all ITSA taxpayers not already due to join the new system from 6 April 2027.