

# GUIDANCE NOTES ON SALARY PAYMENTS TO FOUNDATION DENTISTS IN ENGLAND 2019/20

## Introduction

We have been producing these notes for many years. They are aimed at helping dentists deal with the Tax and National Insurance consequences of employing a Dental Foundation Trainee (DFT). The fact that it may also be necessary to deduct student loan repayments from their salary can bring an added difficulty.

We generally aim to publish these notes as soon as both the new tax rates in the Budget are published and we are made aware of the new DFT salary rates. The 2019 Budget was announced on **13 March 2019**.

**The Amended Statement of Financial Entitlements for England, was finally published in November 2018 and these notes have now been updated for the increases in salary, training grant and service charge.**

The DFT's salary and training grant was increased from 1 October 2018. At this stage, we do not know whether or when there will be a salary increase for the 2019/20 cohort.

The rate of the NHS Pension Contributions is unchanged from last year at 9.3% this year and will be maintained at this rate until 2020/21.

These notes apply specifically to Foundation Dentists working in England and their level of salary. Foundation Dentists in Wales were being paid £2,639 per month. This is now £27 per month less than in England.

Although the numbers set out in this handout will be different in Wales, Scotland and Northern Ireland, the payroll principles will be the same.

There were issues for the 2018/19 cohort regarding the back dated pay increase announced in November 2018. The NHSBSA made an error on the December 2018 schedule for the FD reimbursements which was corrected on the March 2019 schedule. Although we spotted the error in early January, the NHSBSA were not responsive to our queries. Consequently there has been considerable confusion amongst DFTs and their Trainers. At the lectures we have done this Spring, it is evident that the 2018/19 DFT cohort may not have been paid their full salary entitlement. The best advice we can give is, if in doubt, to follow the gross salary reimbursement per the monthly schedules.

## DPB Reimbursement

We understand that the Area Teams are informed centrally that you have a DFT working in the practice. If reimbursement of salary, training grant etc. are not included on your September schedule then you should contact either the Deanery or the Area Team.

Remember that you are obliged to pay your DFT on the date you have stated in the Contract, even if you have not yet received the reimbursement.

The DFTs are not allowed to receive any additional remuneration from you e.g. for private work done, other than reimbursement for expenses incurred on surgery recalls or domiciliary visits.

### The Trainer's Claim to the NHS BSA is made up as follows:

	Monthly Rates	Monthly Rates
	England	Wales
Trainer's grant	809.00	831.00
DFTs gross salary	2,666.00	2704.75
Deduct DFTs NHS Pension Contribution (9.3%)	(247.94)	(251.54)
Employer's NI Contribution	268.69	274.03
Service costs	5,347.00	5,237.00
<b>Total due</b>	<b>£8,842.75</b>	<b>£8,795.24</b>

Note: The Welsh figures are based on a recommended 2.5% increase from 1 April 2019. No further confirmation is available at this time.

The reimbursement of the DFT salary, employer's NI Contribution, the trainer's grant and service costs are itemised separately on the monthly BSA schedule.

In addition, an amount will be deducted from the monthly schedule for the Trainer's NHS Pension contribution on the training grant. Although some trainers have, in the past, had the service costs treated as pensionable income, this has now been clarified – the service costs are not pensionable.

## DFTs Salary

The DFTs salary and deductions are calculated in very much the same way as for other employees, but there are a number of issues that will be different. The salaries for the year commencing on 1 October 2018, are as follows:

	From 1 October 2018
Gross monthly salary	£2,666.00
Equivalent to a gross annual salary of	£31,992.00

## Initial Set Up

On the first day, or as soon as possible thereafter, make sure that you get the National Insurance number from the DFT.

Your DFT may have a form P45 from either a part-time job or as a result of benefits received. If so, and the date of leaving at item 4 of the P45 is after 5 April 2019, use the PAYE code and other information from this to start a Tax Deduction sheet for the DFT. If the date of leaving on the P45 is before 6 April 2019, or if there is no P45 ask him / her to complete the HMRC Starter Checklist which will give you the information necessary to help complete the first Full Payment Submission (FPS) for them.

Please note that if you don't have a signed Starter Checklist from him / her by the first pay day, you apply PAYE code OT.

## Tax Codes

For DFTs who have a P45 issued after April 2019, you will use the code on the P45.

For DFTs with no P45 the PAYE code to be used will depend on the statement selected on the Starter Checklist if the DFT has ticked Statement A to indicate that this is their first job since leaving full-time education and that they have not claimed state benefits, you should tax them using the Emergency Code on a cumulative basis – this is currently 1250L.

However, if they have ticked Statement B, tax should be deducted using the Emergency code on a Month 1 basis – this is currently 1250LMI.

The HM Revenue & Customs web site is excellent. All you need to know is contained in the 'employers' section on the home page. This includes specific topics such as "New employees" and National Insurance tables.

Once HM Revenue & Customs has processed the first FPS you will be sent the amended PAYE code for DFTs who have been taxed on the Emergency Code. You should use this **in place of** the Emergency Code. There may be a repayment to the DFT at this point, e.g. if the income earned in their part-time job did not utilise all of their allowances to the date they joined you or if they have personal allowances over and above the basic personal allowance.

If an amended PAYE code is not received by the end of the tax year, the question of repayment will be between the DFT and H M Revenue & Customs. You cannot make a repayment for a tax year after it has closed. It is therefore **very** important that the correct code is used.

Quite a number of DFTs may apply to H M Revenue & Customs for tax relief on various subscriptions and other expenses of employment. Those who do will be issued with an amended PAYE code. You should not anticipate such amendments, but only apply the new code on receipt of the amended coding notice from H M Revenue & Customs.

It is important that the various procedures as regards the PAYE code described above are followed. Do not be tempted to use the same PAYE code that may have been used for the previous year's DFT!

## Vocational Training Grants

The various incentives and golden hellos offered in certain parts of the country are fully taxable under PAYE in the normal way. In the month that the grant is paid, the grant should be added to the salary, and PAYE and National Insurance calculated using the normal rules in the normal way.

## Income Tax

**N.B. you must operate the Net Pay Arrangements if the DFT is in the NHS Pension Scheme.**

The DFTs' NHS Pension contributions are deducted from the income schedule by the NHS BSA. You must deduct this from the gross salary before calculating their tax.

When the DFT leaves you must complete a P45. The net pay (gross less NHS Pension contributions) should be included in the total pay to date box on the P45.

## National Insurance

**N.B. You must calculate National Insurance Contributions on gross pay before NHS Pension deductions in all cases. You should also show the gross pay on the payslip.**

Table A should be used in all circumstances.

## NHS Pension Contributions

The DFTs contribution to the NHS Pension Scheme is 9.3% of gross salary i.e. £247.94 per month. This contribution is deducted from the monthly NHS BSA income schedule and likewise must be deducted from the DFT's salary.

Under the new Auto enrolment pension rules, DFTs are automatically brought into the NHS Pension Scheme on commencing pensionable NHS employment, but membership is voluntary.

The DFTs are able to opt out of the NHS Pension Scheme. As the employer you are not allowed to provide the DFT with the necessary forms to apply to opt out. The DFT can download the necessary forms from the NHS BSA website. Form SD502 is the application to leave the NHS Pension Scheme and form RF12 is the refund application form should they opt out after having had pension deductions made. The DFT is responsible for submitting these forms to the LAT.

From your perspective, until the pension contributions for a DFT no longer appear on your monthly schedules, you should continue to make pension deductions from their monthly salary.

A DFT can opt out of the NHS Pension Scheme at any time. If they complete the necessary paperwork immediately after commencing their DFT employment, and if this is submitted to the LAT and processed straight away then there is a small possibility that there will be no pension deduction/contribution shown on their first monthly schedule (although this is unlikely).

Please bear in mind that after the DFT has left in August 2020, and subsequently takes up an associate post, and if they are a relatively high earner, their combined associate Net

Pensionable Earnings and DFT salary may take them into a higher NHS Pension contribution tier rate. Post the Annual Reconciliation process the next summer, the practice may receive a deduction on their NHS Schedule for a NHS Pensions adjustment in respect of the DFT reflecting the uplift in the NHS Pension contribution rate. For 2019/20 this adjustment would be for £426.56 (an increase in rate from 9.3% to 12.5%). This will be well after the DFT has left, for the 2019/20 cohort, in July 2021.

Another FD pension hiccup can occur after the FD has left and taken up an associate post. The associate's new practice may incorrectly enter a low estimate NPE figure for the remainder of the year (commonly £0.01 which is the minimum allowed). This results in their pension contribution rate for the year falling from 9.3% to as low as 5%. This can trigger a refund a couple of months after they have left. This will often be reversed once the Annual Reconciliation process is completed by June in the following year, and the FD practice will then have additional pension contributions to collect from the FD. It is advisable to pay over refunds to the FD, and to collect additional contributions from them i.e. follow the schedules! We have seen situations where the additional contributions have been recovered from the FD, but the earlier refund is not passed on to them.

In summary it would be advisable to keep contact details for the FD (preferably an email address) so that corrections in NHS Pension Contributions can be made.

## **Auto Enrolment**

DFTs who are contributing to the NHS Pension Scheme are already in an Auto Enrolment compliant scheme and as such are not required to be in the practice Auto Enrolment scheme.

## **DFT Start Dates**

The majority of schemes now commence on 1 September, although there are some schemes and some DFTs that will start on 1 January or on other dates. These notes are relevant to all VT Schemes.

Most DFTs will begin work at the beginning of a month. If they do not you have two choices regarding their first salary payment:-

1. You could calculate the proportion of gross pay that is due to them for the part month that they have worked; or
2. You could pay them the complete month's salary even though they have not worked for the whole month. However, you must point out to them that, if for example you are paying them for the whole of September, you will not be paying them for say the first 8 days in the September of the following year. They may need to work these days to satisfy the requirements of having been part of a Vocational Training Scheme for a complete 12 month period.

## January FD Schemes

In the case of the January Schemes you are more likely to encounter P45s. As the end of the tax year is imminent it is extremely important that the Starter Checklist, if applicable, is dealt with promptly and correctly. Otherwise an incorrect emergency code may not be amended in time for the tax year end with resulting problems associated with the DFT reclaiming tax rebates direct from H M Revenue & Customs.

## Net salary

The tables below set out the Calculation of Net Pay for a typical DFT commencing employment in September 2019. These figures will only be valid assuming that:

- Gross salary is £2,666.00 per month and does not account for future pay increases
- The DFT is entitled to basic personal tax allowances only
- The DFT has no other income in the period from 6 April 2019 to 31 August 2019
- The DFT has an outstanding Student Loan (see page 7)

Although not many DFTs opt out of the NHS Pension Scheme, it is becoming more prevalent. Accordingly, we have produced the tables of net pay for these DFTs in the NHS Pension Scheme and for those who have opted out.

**Calculation of a typical DFT Net Pay for Months September 2019 to February 2020 for DFTs employed in England only.**

**As a member of the NHS Pension Scheme**

	<b>Sept 2019</b>	<b>Oct 2019</b>	<b>Nov 2019</b>	<b>Dec 2019</b>	<b>Jan 2020</b>	<b>Feb 2020</b>
	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>
Gross Pay	2,666.00	2,666.00	2,666.00	2,666.00	2,666.00	2,666.00
Less: NHS Pension Contribution (9.3%)	(247.94)	(247.94)	(247.94)	(247.94)	(247.94)	(247.94)
<b>Total Net Pay</b>	<b>2,418.06</b>	<b>2,418.06</b>	<b>2,418.06</b>	<b>2,418.06</b>	<b>2,418.06</b>	<b>2,418.06</b>
Cumulative Total Net Pay	2,418.06	4,836.12	7,254.18	9,672.24	12,090.30	14,508.36
Free Pay	6,254.58	7,297.02	8,339.44	9,381.87	10,424.30	11,466.73
<b>Taxable Pay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>290.37</b>	<b>1,666.00</b>	<b>3,041.63</b>
Cumulative Tax @ 20%	-	-	-	58.00	333.20	608.20
<b>Tax for the Month</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58.00</b>	<b>275.20</b>	<b>275.00</b>

<b>Calculation of Net Salary (take home pay)</b>	<b>Sept 2019</b>	<b>Oct 2019</b>	<b>Nov 2019</b>	<b>Dec 2019</b>	<b>Jan 2020</b>	<b>Feb 2020</b>
	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>
Gross Salary	2,666.00	2,666.00	2,666.00	2,666.00	2,666.00	2,666.00
Less: NHS Pensions Contribution	(247.94)	(247.94)	(247.94)	(247.94)	(247.94)	(247.94)
Less: Income Tax	-	-	-	(58.00)	(275.20)	(275.00)
Less: Employee's National Insurance Contribution net of NIC rebate	(233.64)	(233.64)	(233.64)	(233.64)	(233.64)	(233.64)
<b>Net Salary Payable</b>	<b>2,184.42</b>	<b>2,184.42</b>	<b>2,184.42</b>	<b>2,126.42</b>	<b>1,909.22</b>	<b>1,909.42</b>

**Opted out of the NHS Pension Scheme**

	<b>Sept 2019</b>	<b>Oct 2019</b>	<b>Nov 2019</b>	<b>Dec 2019</b>	<b>Jan 2020</b>	<b>Feb 2020</b>
	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>
<b>Gross Pay and Total Net Pay</b>	<b>2,666.00</b>	<b>2,666.00</b>	<b>2,666.00</b>	<b>2,666.00</b>	<b>2,666.00</b>	<b>2,666.00</b>
Cumulative Total Net Pay	2,666.00	5,332.00	7,988.00	10,664.00	13,330.00	15,996.00
Free Pay	6,254.58	7,297.01	8,339.44	9,381.87	10,424.30	11,466.73
<b>Taxable Pay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,272.13</b>	<b>2,905.70</b>	<b>4,529.27</b>
Cumulative Tax @ 20%	-	-	-	254.40	581.00	905.80
<b>Tax for the Month</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>254.40</b>	<b>326.60</b>	<b>324.80</b>

<b>Calculation of Net Salary (take home pay)</b>	<b>Sept 2019</b>	<b>Oct 2019</b>	<b>Nov 2019</b>	<b>Dec 2019</b>	<b>Jan 2020</b>	<b>Feb 2020</b>
	<b>Month 6</b>	<b>Month 7</b>	<b>Month 8</b>	<b>Month 9</b>	<b>Month 10</b>	<b>Month 11</b>
Gross Salary	2,666.00	2,666.00	2,666.00	2,666.00	2,666.00	2,666.00
Less: Income Tax	-	-	-	(254.40)	(326.60)	(324.80)
Less: Employee's National Insurance Contribution net of NIC rebate	(233.64)	(233.64)	(233.64)	(233.64)	(233.64)	(233.64)
<b>Net Salary Payable</b>	<b>2,432.36</b>	<b>2,432.36</b>	<b>2,432.36</b>	<b>2,177.96</b>	<b>2,105.76</b>	<b>2,107.56</b>

Please note that the above net salary calculations have been made using H M Revenue & Customs PAYE and National Insurance Tables. These are to some extent rounded. If you use a computerised payroll system, the Tax and National Insurance Contributions will be calculated on an exact percentage basis. As a result, the net salary calculated can vary by up to 50p.



## Reimbursement of Expenses

Under their contract, the DFT can only receive their gross salary and cannot receive payment for other services e.g. for private work done. However, you can reimburse them for reasonable expenses incurred on callouts or domiciliary visits. The reimbursement of expenses does not form part of the gross salary for tax purposes and should be excluded from the payroll Tax and National Insurance Contribution calculations.

## Payslips

You must give the DFT (and all employees) an itemised payslip showing their gross salary and all of their deductions. An example of a Dental Foundation Training Scheme Pay Advice Sheet is attached for your information although you do not have to produce a payslip in exactly this form. This example includes additional non-payroll information that keeps the DFT informed of their NHS UDAs achieved against targets each month. This helps prepare them for the time when they may become an Associate and they have to manage their own UDA targets.

## Student Loans

For those students who started full time education before September 1998, student loan repayments are made by the DFT direct to the Student Loan Company.

For students who entered full time education on or after September 1998 repayment of student loans will be made via the payroll. Student loan repayments commence in the first salary payment after 5 April following the year of graduation. For the majority of DFTs commencing in September 2019 it is likely that you will need to commence to deduct Student Loan Repayments from the salary payments commencing after 5 April 2020. However, for those DFTs for whom Dentistry is a second degree or they graduated prior to the Summer of 2019, student loan deductions may commence sooner.

If the DFT has a P45 which indicates that Student Loan repayments are being made, deductions will be made straight away. The P45 will indicate whether the loan is Plan 1 or Plan 2. Otherwise, the Starter Checklist includes questions regarding the DFT's Student Loan and this will give information regarding the type of Student Loan, whether it be Plan 1, 2 or both, and when the DFT graduated. This information should be input to the payroll and computer software and the details transmitted to HMRC. The payroll software will differentiate between Plan 1 and Plan 2 loans.

In time, you should receive a Start Notice (form SL1) from HM Revenue & Customs. You have to commence making deductions for the loan repayments on the first pay day following the start date as indicated on the form. There are Student Loan Deduction Tables available from HM Revenue & Customs.

For a DFT who commenced their studies in September 2012 or afterwards, they will be on a Plan 2 type student loan. For those who started prior to 2012, they will be on a Plan 1 type student loan. For DFTs who have both Plan 1 and Plan 2 loans, the default is to treat them as though they have a Plan 1 loan HMRC will allocate the repayments.

The amount they repay depends on the student loan plan type.

	Plan 1	Plan 2
Repayment starts on annual salaries in excess of	18,925	25,725
Monthly equivalent	1,577	2,143
% repaid	9%	9%
Monthly repayment	£98	£47

The earnings for the purpose of calculating student loan repayments is the same as for National Insurance i.e. gross salary before deduction of pension contributions.

The loan repayment deductions are accounted for to HM Revenue & Customs in the same manner as the National Insurance and Tax deducted. The deductions are paid periodically (either monthly or quarterly) to HM Revenue & Customs, and they are included on the PAYE year end return, P35.

You should continue to make the student loan repayment deductions until either the DFT leaves or a Stop Notice (form SL2) is received from H M Revenue & Customs.

When a DFT leaves and a Stop Notice has not been received you should enter a 'Y' in the "Continue Student Loans Deductions" box on their P45.

The Start and Stop Notices issued by HM Revenue & Customs (SL1 and SL2) will indicate which plan type.

There is something of an anomaly in the way in which the student loan repayment is calculated for PAYE purposes and the method of calculation on a Tax Return. For payroll purposes, the repayment is calculated on the gross salary before any pension deductions, whereas on a Tax Return, the student loan repayment is calculated on gross income less pension contributions and certain losses. Both methods are correct in their context. In overall terms, it does not make any difference to the tax liability, but will result in employed students, who never have to complete a Tax Return, repaying their loans slightly quicker.

There are excellent notes on student loans on the following websites:-

**[www.slc.co.uk](http://www.slc.co.uk)**

**<http://www.hmrc.gov.uk/payee/payroll/day-to-day/student-loan.htm>**

## Note

The contents of this advice sheet are for information purposes only, and by necessity various areas of tax have been simplified. It should not form the basis of any decision as to a particular course of action. The notes are based on UK tax legislation as at the date shown in the bottom left hand corner of this page, and may not necessarily be up to date. No responsibility can be taken by Morris & Co for any loss incurred in acting or failing to act as a result of the information contained in the notes. Specialist advice should always be sought from us in relation to your own particular circumstances.

**These notes were last updated 21 August 2019**

**VOCATIONAL DENTAL PRACTITIONER / FOUNDATION DENTIST  
PAY ADVICE SHEET**

PRACTICE/TRAINER ..... DATE .....

TRAINEE .....

TAX CODE .....

N.I. NUMBER .....

GROSS PAY FOR ..... £ :

ARREARS/ADJUSTMENTS ..... £ :

TOTAL GROSS ..... £ :

NHS PENSION CONTRIBUTIONS (as deducted by NHS BSA) £ :

INCOME TAX (calculated on gross pay less NHS Pension Contribution) £ :

EMPLOYEES NATIONAL INSURANCE £ :

STUDENT LOAN REPAYMENT £ :

TOTAL DEDUCTIONS ..... £ :

OTHER ADJUSTMENTS (e.g. reimbursed expenses) £ :

NET PAY ..... £ :

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**YEAR TO DATE CUMULATIVE TOTALS**

GROSS PAY £ : NATIONAL INSURANCE £ :

INCOME TAX £ : NHS PENSION CONTRIBUTIONS £ :

STUDENT LOAN REPAYMENT £ :

**FOR INFORMATION**

CONTRACT NUMBER..... SCHEDULE NUMBER.....

UDAs ACHIEVED FOR THE MONTH..... TARGET UDAs .....

## Other Morris & Co Advice Sheets Available

Dental Associates – Tax Payment, Tax Returns and Savings for Tax  
Capital Allowances, Building Costs and Grants for Dentists  
Year End Tax Planning Checklist for Dentists  
Benefits in Kind and Tax Free Gifts to Staff in Dental Practices  
Payments to Dentists' Spouses and the State Second Pension  
Parental Leave for Dentists  
Matters for the Dentist to Deal With Before and After Incorporation  
Limited Companies for Associate Dentists  
Forming a Partnership with a Spouse (or Life Partner) Who is a DCP  
UK Taxation for Dentists Coming from Overseas  
Applying for a National Insurance Number  
Acquiring a Dental Practice  
Investment Property - The Tax Implications  
Obtaining the Services of a Part Time Bookkeeper  
Tax Relief on Dental Nurses'/DCPs' Subscriptions and Expenses  
The Tax and Accounts Consequences of Leaving the UK  
Minimising the Risk of PAYE & NIC Audits for Dentists  
Dentists – Making a Will  
Attracting a New Associate  
Buying a Car  
Limited Companies for Dentists  
Guidance Notes on Salary Payments to Foundation Dentists in England 2019/20  
Notes on using Excel Cashbook for Dentists  
Notes on using Sage for Dentists  
Notes on using Quicken for Dentists  
Notes on using Microsoft Money for Dentists



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