



DOCTORS NEWSLETTER

Welcome to our final newsletter of 2010 covering topical accounting and tax matters of interest to general practitioners.

PENSIONS

Our last newsletter in June 2010 dealt in detail with the weighty topic of pensions and it is again our leading article due to the changes announced in the Budget on 22 June 2010 to the amount of tax relief available for contributions.

The reduction of the annual allowance for pension payments to £50,000 will affect many GPs, particularly those who are making added years payments under the old 1995 NHS pension scheme rules. Effectively this change, which will apply from 6 April 2011 onwards, will mean that GPs who exceed the £50,000 limit will only receive basic rate relief on the excess contributions. It should also be noted that the £50,000 limit relates, in the case of the NHS pension scheme, not to the amount contributed in the tax year but the increase in pension benefits over that year, multiplied by a factor of 16 (the pension input).

Alongside the reduction in the annual allowance, the lifetime allowance is being reduced from the current figure of £1.8 million to £1.5 million, with effect from 6

April 2012. However, transitional protection will be available to individuals who have already exceeded the £1.5 million limit or will do so by 5 April 2012.



To accompany the changes to tax relief on pension contributions, GPs have another pensions matter to consider and that is whether to remain in the old NHS pension scheme or change to the new one that was introduced in 2008. While it is generally better for individuals who were under 60 at 1 October 2009 and who want to retire before age 65 to remain in the old scheme, there is really no “hard and fast” rule. Distribution of personalised PC packs, setting out the main issues and the action needed to make a transfer to the 2008 scheme are already being sent out and all GPs will have received a pack by the end of 2012. Another factor is concern over the future of the NHS pension scheme in the light of the ongoing review by Lord Hutton into public sector pensions and this has persuaded many GPs nearing

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retirement age to begin drawing their NHS pensions now in order to crystallize the benefits they will receive. David Carr, director of EC (Financial Services) Limited, our financial services company, is aware of the various considerations and will be pleased to advise on what is a crucial decision.

IN BRIEF

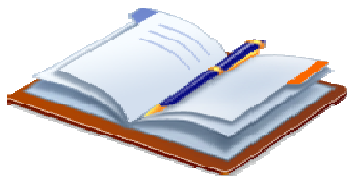
Income tax and capital gains tax for married couples – the increase in the capital gains tax rate for higher rate taxpayers to 28% on 22 June 2010 for the majority of disposals again emphasised the need for married couples to consider how investments are held between them. The tax increases that arise once annual taxable income exceeds firstly £100,000 (loss of personal allowance) and £150,000 (50% income tax rate on income over that amount) that were introduced from 6 April 2010 also need to be considered. Whilst there are also non-tax considerations when transferring investments between husband and wife, the current tax regime means considerable savings can often be achieved by holding investments in the name of a non-working spouse who is not fully utilising his/her basic rate income tax band.

If you think this information is of use to a friend or colleague, why not forward on.



Inheritance tax planning via wills

– the transferable nil rate band for husbands and wives has now been with us for over three years and many married couples took the opportunity to simplify their wills by removing the nil rate band discretionary trusts that were previously included. Given that the nil rate band is to remain at the current level of £325,000 until 2014/2015 married couples should in our view consider whether the transferable nil rate band is still appropriate. We will be happy to discuss the key considerations with you.



Record Keeping for Expenses Claims

– this has been a familiar topic in our newsletters over the years and given HM Revenue and Customs stated intention to significantly increase the level of tax enquiries over the next few years in response to the need to raise tax revenues, it is important that detailed records are maintained to support expenses claims. If a particular item of expenditure cannot be justified, HMRC will typically seek an adjustment not

only for the year of enquiry but also the previous three or possibly five years.

Emma Cook – Emma has now joined our team dealing with GP and other medical professionals and is an alternative point of contact if you are ever unable to speak to Debbie, Francis or Alison.

LOOKING FORWARD

This newsletter is accompanied by our annual survey of the financial results of the practices we deal with, which this year we have been able to make of extra value by including comparisons with data provided by AISMA (Association of Specialist Medical Accountants) of which we are a member. The general trend from the survey is that 2010 income was maintained at a similar level to the previous year but it is clear from our discussions with you, press comment and the information we receive from AISMA that 2011 and beyond are going to be more difficult and whilst these may be obvious, the following do need consideration:

- Partners' drawings need to be reviewed and if necessary reduced to reflect lower profit levels. Whilst no one likes a reduction in income a more

prudent approach now will prevent more drastic measures at a later date.

- New income streams need to be sought wherever possible to utilise the practice's particular skills.
- Tight controls need to be maintained over existing income streams to ensure everything due to the practice is received and also over expenditure such as stationery, telephones, training etc to ensure there is no wastage.

On a more positive note, we await specific guidance on the role of GPs in taking the NHS forward following the abolition of the PCTS.

The medical team at Edmund Carr send you the compliments of the season and look forward to working with you again during 2011.

Disclaimer

This newsletter is intended to give general guidance only and no liability can be accepted for any action taken based on the information given.

**EDMUND CARR LLP
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