



## DOCTORS NEWSLETTER

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### Business Record Checks (BRCs)

You will already have heard from us via our general mailing about the introduction of this new programme by HM Revenue and Customs. Looking at how this affects GPs, in our experience HMRC are generally unlikely to identify problems with the basic practice records detailing the transactions carried out through the partnership bank accounts, as these will normally be balanced and backed up by detailed supporting documentation. However, it is important to note that the records included within a BRC for a GP partnership will encompass all the records that form the basis of the annual partnership tax return. Specifically therefore this will include the individual partners' expenses claims.

The BRC will include a penalty regime, with the maximum penalty for failure to keep proper records being £3,000 and given the current poor state of the government's finances we can only assume HMRC will take a hard line in determining what is worthy of a penalty. Mileage logs have already been highlighted as an area where penalties will be levied if there is no evidence to substantiate the practice/private split, so in an

ideal world GPs should keep a mileage log identifying all business miles to provide the correct proportion. Given the numerous demands on doctors' time a complete mileage log may be impractical but we would recommend that a log is kept for a minimum of two months to provide a representative business percentage.

Similar comments apply to use of phones, the internet and also home where the amount being claimed is more than the standard £3 per week. Although the amounts of expenditure involved may be fairly trivial, unfortunately that is not a factor HMRC will necessarily take into account when determining the size of a penalty charged due to a failure to keep proper records.



### The Way Ahead

Given the continued pay freeze for GPs with the exception of a small 0.5% increase for GMS practices in 2012/2013 to assist with increased practice expenses, GPs are likely to face a further decline in net incomes in the foreseeable future. Whilst one could shrug one's shoulders and say this is in line with what is happening in the country generally, we do have a few positive thoughts on ways in which GP practices can try to maintain profitability or at least keep its decline to a minimum:

- Most practices have a diverse range of skills and it is important to ensure these are all being fully utilised. Why not carry out an audit of the clinical skills within the practice and make sure these are matched to available income streams. A GP practice is a business in the same way as, for example, a farm, and those with some knowledge of agriculture will know those farmers who are prospering now are the ones who have moved away from the traditional ways of farming and sought new income streams. Where a new income stream for the practice is identified, it is however important to ensure it is going to make a positive contribution towards the fixed costs of the practice, such as rent, administrative salaries etc, which will remain unchanged regardless of activity. The contribution of an income stream can be defined as the income less costs directly attributable to it such as salaries and consumables.
- Whilst control of stocks of drugs, dressings etc tends to be good within dispensing practices it is less so for non dispensers. Responsibility for ordering stock often rests with clinical staff, who lack financial skills and so are not aware that money tied up in stock is dead money. One of our practices identified a problem with Zoladex, which is high value but with a short shelf life, and are now monitoring stock levels much more closely.



- Another area where tighter stock control is needed in all practices is what might be called administrative stock, such as stationery and consumable items. We have probably all visited the stationery cupboard at some stage and found items covered with dust, a sure sign of over ordering.
- On the face of it a suggestion that partners review their drawings at an early stage and if necessary reduce these in the light of falling net income may not seem a positive. However, if a realistic approach is taken early on it means the pain can at least be minimised; better in our view to take a cut of £100 per month in drawings over a lengthy period than a sudden steep reduction because the partner's capital account has fallen way out of line with that of his/her colleagues. Difficult economic conditions can often cause tensions within a business so it is also important that a united approach is taken to drawings.



**In Brief**

- A quick reminder that the rate of the annual investment allowance (AIA) for capital allowance purposes falls by £75,000 per annum to £25,000 in April 2012 so any major capital expenditure projects should ideally be undertaken before that date.
- There has been a further spate of headlines recently about the increasing cost of NHS pensions. Our attitude remains that it is better to "wait and see" rather than take a hasty decision and as always David Carr our in house financial advisor is happy to offer independent pensions advice.
- Given the continued gloomy outlook for the economy, assets values may well stay still for a while and if nothing else this often represents a good opportunity for estate planning, as assets can be passed down to the next generation without significant capital gains cost.

**Paying online**

Most of our fee bankings are now made direct to our bank account. If you have not yet made arrangements to pay online & would like to do so, please contact the office.

**And, To Finish On A Lighter Note .....**

- Alison Wagerfield, who many of you will know as the manager of our medical team, married on 8 October and is now Alison McDowall. Our congratulations to Alison and James on their marriage and our best wishes for their future happiness together.
- We wrote recently to one of the major banks for information regarding a deceased client and couldn't resist a chuckle when the reply came back from a Ms Stiff!

**AISMA Doctor Newsline**

Please note that for other topical articles, the newsletter for GPs and practice managers published by our membership organisation, the Association of Independent Specialist Medical Accountants, is now available on our website. [www.edmundcarr.com](http://www.edmundcarr.com)

**Disclaimer**

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**EDMUND CARR LLP  
November 2011**

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**Registered Auditors and Chartered Tax Advisers**

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