GP NEWSLETTER

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Prepared by

Emma Wood

Manager

On behalf of all the Edmund Carr medical sector team I send our best wishes for Christmas and the New Year, together with a few "stocking fillers" to consider in the immediate post festive period as an alternative to a walk in the snow (perhaps!) These are topical points from the Mercia's 'Acting for Healthcare' course I attended earlier this year.

Should we incorporate our practice?

Running a GP practice through a sole trade or a partnership has always been the historic model but the question keeps arising – would it be beneficial to incorporate? Our view on this has always been that the primary motive should be to obtain the protection of limited liability. A limited liability partnership cannot hold a GMS/PMS contract so is not an option for many practices, but what about a Limited company? The following are what we feel are the key points to consider:

- Your NHS contract will be with the CCG and therefore any consideration to incorporate would need to be run by them first. They will be able to advise whether you would have to re-tender for the contract or whether it could be transferred, subject to caveats such as no directors/shareholders that are 'outside the NHS' i.e. no spouses etc. Even so the contract is likely to be re-negotiated and items such as PMS premium or MPIG could be lost.

- If earnings are paid to a Limited company and drawn out as salary and dividends then these would not be pensionable earnings. This may be a more attractive prospect if all of the partners have opted out of the NHS Pension Scheme to avoid Annual Allowance and/or Lifetime Allowance charges or if the majority of practice income is private. However employers national insurance contributions would need to be paid on the salaries and this could be quite a substantial additional cost.

- Although corporation tax rates are falling where personal tax rates are increasing, the lower corporation tax rates are only a benefit if profit can be retained within a company. If all profits are withdrawn, after taking into account the additional national insurance cost, corporation tax and additional compliance costs for preparing accounts and corporation tax returns under UK company law; the financial benefit in most cases is negligible.

- Lastly, and most importantly, a partnership provides much more flexibility when partners come and go. A further complication with a company structure is that the employment related securities rules are likely to apply to the "partners" shareholdings and provide an unwelcome extra tax consideration.

Personal Expenses

- If you are employed the expenses you pay yourself which you can claim a deduction for against your salaried income are those which are incurred 'wholly, exclusively and necessarily' for the purposes of your employment. It is the "necessarily" that is the complication and effectively means that a cost is deductible only if there is a contractual requirement for it for the purposes of your employment. As an example training costs are deductible if borne by the individual if the training must be completed to fulfil a requirement of the contract of employment.

- Many of you will be aware that HMRC do not normally allow a deduction for the cost of a new qualification against self-employment (or employment) income on the basis that you do not require that qualification to perform your current role. However they have backtracked in one respect and you can now claim the cost of the RCGP qualification. If you have not done so, you can make a retrospective claim. The time limit is 4 years after the end of the tax year in which the expense was incurred.

- Normal CPD costs would not be deductible from employment income, as they do not satisfy the 'necessarily' requirement. You might need to keep up to date with CPD requirements as a member of various professional bodies, but this would not be a contractual requirement of the employment. Any such expenses can however be claimed as a deduction if you have self-employed earnings.

- HMRC are not very lenient on what can be claimed as use of home. If patient records are not accessible from home then you will need to be able to demonstrate what work you are doing at home, and this must be considered wholly and exclusively for the practice. If there is any doubt we recommend claiming £4 per week, which is the amount HMRC will allow without asking questions.

- Mileage for a self employed medical professional from home to a regular base is not claimable as this would be classified as 'home to work', but may be claimable if the journey from home is to a number of temporary places of work.

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Personal Tax Account

There is now the facility to set up your personal tax account online with HMRC via this link: https://www.gov.uk/personal-tax-account. How is this useful for you?

- Easy access to your national insurance record for state pension purposes. It is well worth making sure that HMRC have a complete and accurate record of your working life so that the state pension you eventually receive on retirement is accurate. For some of you retirement may be a long way off but it is easier to check your recent history now!

- You can also access your PAYE Coding Notices, details of benefits received, and details of tax refunds due to you and inform HMRC of any necessary amendments.

Unfortunately there is not a facility to give us access to this information so we will still rely on our clients to provide us with any relevant information relating to your tax affairs.

Other Points to Note

- Just a reminder that we requested an Annual Allowance Pensions Savings Statement for the 2015/16 year for all of our GP practitioner clients back in April 2017. These should have been sent to the GPs personally, and if you have received one could you please forward this on to us.

Similarly, if you have received a recent NHS Pension valuation; either by post or via the Total Rewards System; then could you please forward us a copy.

- Insurance - make sure that you have adequate practice insurance cover. GPs may pay hefty premiums themselves but the lecturer advised that where a receptionist, for example, makes an error which results in a patient becoming ill then the CQC have in some cases blamed the practice infrastructure and not the individual.

- Do you have Loss of Earnings cover in place? PMS reviews are taking place and some can be quite punitive.

- The new Employment Intermediaries Legislation was discussed in our previous newsletter. You can check the status of your self employed workers at https://www.gov.uk/guidance/check-employment-status-for-tax but would recommend you also speak to our payroll department as they can give a more balanced view than this HMRC tool.

- Partnership Agreements – is yours up to date? If not you almost certainly have a 'partnership at will' under the Partnership Act 1890 which is an unstable arrangement as the partnership can technically be dissolved on notice by any partner. If you need assistance with updating your agreement, please let us know.

- Did you know you can nominate your NHS benefits for Inheritance Tax purposes? If you do not currently have a financial advisor and have any queries, one of our colleagues at EC Financial Services Ltd will be happy to speak with you.

- As members of AISMA we prepare annual statistics comparing the performance of our GP practices with their regional benchmarks. We are in the process of sending to our clients the figures for the year to 31 March 2017.

If you would like any further details on any of the above, please contact one of the team.

If you think this information might be useful to a friend or colleague, please pass it on.

Debbie Wakefield

Partner

Francis Whitbread

Partner

Alison McDowall

Manager

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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www.EdmundCarr.com

Email:Advice@EdmundCarr.com