



DOCTORS NEWSLETTER

June 2019



Francis Whitbread
Partner

The dubious honour of writing our GP newsletter to follow the annual AISMA Conference has fallen to me this year. These continue to be challenging times for GPs; whilst the threat of the NHS being run by the United States of America, in the form of President Trump, is hopefully not a major one, there are other recurring areas of concern, such as pensions, and I will comment on these below.

However, my first task is to welcome Emma Wood back to the Edmund Carr medical sector team after her period of maternity leave, during which she and Philip became the proud parents of Samuel. Emma is working three days a week, normally on Tuesdays, Thursdays and Fridays and will provide welcome support to Debbie, Alison and myself with our GP clients. Please speak to Emma if you have a query and none of us are available.



Emma Wood
Manager

GP PENSIONS

The tapered annual allowance rules continue to result in GPs incurring significant tax charges on their pension savings in addition to the liabilities they are already incurring on their share of the practice profits. This coupled with the relatively low level of the lifetime allowance, currently at £1.1 million, compared with £1.8 million back in 2009, means many GPs are choosing to work

less sessions, or leave the NHS altogether. There has been a lot of press comment on the difficulties created by this reduction in GP hours, as well as the corresponding effect in other areas of the NHS, with consultants reducing their working time for the same reason.

This is a classic case of the effects of a particular tax measure not being fully considered. The tapered annual allowance rules of course apply to all taxpayers, not just GPs and NHS consultants, but it does seem to be having a detrimental effect on the NHS, which cannot be in the country's best interests. The Chancellor, Philip Hammond, was recently questioned by MPs about the situation, but indicated he does not intend to make any changes to the tapered annual allowance, even though he acknowledges " ... there is some evidence the annual allowance charge is having an effect on retaining high-earning clinicians in the NHS."

The Chancellor has indicated he has asked the Secretary of State for Health to look into introducing more flexibility into the NHS pension scheme, for example a 50:50 scheme. This is welcome, providing it comes to fruition; we all know that our politicians have other priorities at present. With this poor state of affairs, the best advice we can give to GPs is to continue to review their pension position in conjunction with an independent financial adviser with specialist NHS Pension Scheme knowledge. We are happy to provide illustrations to help in discussions with your IFA, and if you do not have an IFA already in place, our colleague Stephen Franklin, at EC (Financial Services) Limited, will be happy to speak with you.

If you are a member of the scheme, and incur tax on annual allowance charges,

there is at least now the option to make a scheme pays election in respect of the entire tax charge, where previously the part applicable to the tapered annual allowance could not be included. This change was introduced last year by NHS Pensions following lobbying by AISMA.

There are more dark clouds on the horizon with the increase in the employer superannuation rate to 20.68% from 1 April 2019. However, throughout the year to 31 March 2020 the scheme administrator will continue to collect only an employer contribution of 14.38% from employers. Central payments will be paid into the pension scheme by NHS England to cover the increase. Employee contributions are also currently being reviewed.

THE NEW GP CONTRACT AND PRIMARY CARE NETWORKS (PCN)

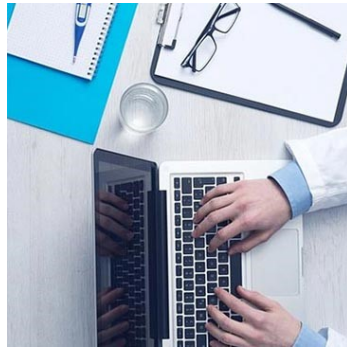
The new five year GP contract was introduced in April 2019. This includes a relatively modest increase in global sum of 92p per patient in 2019/2020 but with more significant increases in the following four years. The initial thought is that practices will be better off under the new contract; I will reserve my judgement on that for the moment if I may!

We also have the new concept of a primary care network (PCN), intended to bring a range of health care professionals, including GPs, to work together to provide a higher level of care in their particular location. The new GP contract does not make it mandatory for a practice to join a PCN, but it is expected by both the BMA and NHS England that all will do so.

PCN contracts will run from next month and all practices that have signed up by then will receive a network participation payment of £1.76 per patient. However, there are a number of matters to be considered when joining a PCN, as follows:

- Proper accounting records will need to be kept so that an annual summary can be prepared for each member practice detailing the figures that need to be incorporated into their accounts. We would recommend that the summary is prepared by a specialist medical accountant and are of course happy to undertake this work for a PCN.
- VAT – where a member practice receives funds from the PCN to cover the cost of services it has provided, it will need to consider whether those services qualify for the normal exemption from VAT that is afforded to healthcare services. We would recommend that you speak to us to check the VAT position before invoicing a PCN for services provided, and the BMA are currently preparing VAT advice for PCNs which will also assist.
- Also on VAT, the PCN structure could involve one practice supplying staff to another. The supply of staff is a standard rated supply for VAT purposes, so a practice which is already registered for VAT will have to add VAT to its charge. A practice not currently registered for VAT which makes charges for use of its staff will need to consider whether the level of these means it needs to register for VAT, with the consequent accounting issues that raises. We are now in the era of Making Tax Digital (MTD), which requires all VAT registered businesses with turnover over the VAT registration threshold (currently £85,000) to provide their monthly or quarterly VAT

information in digitalised format. MTD will apply to income tax as well at some time in the future but it is something to be avoided for as long as possible, so the message is clear; speak to us before undertaking a transaction with a PCN so we can advise on the best treatment from a VAT point of view.



- A PCN is not that dissimilar to a partnership. You would not operate your GP practice without a partnership agreement drafted by a solicitor, and the same considerations apply to the PCN agreement; do not sign it without having first taken legal and financial advice!

IN BRIEF

- The emphasis with certificates of pensionable earnings at PCSE (as agreed with NHS England) for this year is to process historical certificates first, with the result that the certificates for the 2017/2018 year are being dealt with last. Those who have their certificates processed by 21 June 2019 will see the information on the August 2019 Total Reward Statement (TRS); for the remainder the information will not hit the TRS until the December 2019 issue.
- As you know each year practices are required to report their average GP earnings; a somewhat arbitrary figure. You may also have heard that as part of the 5 year plan, GPs with total NHS earnings above £150,000 per

annum before tax will have their name and the amount of their earnings listed in a national publication, starting with 2019/20 income. This is intended to safeguard public trust, but I am sure it will cause a lot of controversy. Further details will follow when we hear more.

- Primary Care Support England have identified that many Salaried GPs are not completing annual Type 2 superannuation certificates. Many GPs assume they have paid pension contributions at the correct rate and therefore do not complete the year end certificate. The position is not always that simple! To ensure GPs do not miss out on their pension benefits, PCSE have introduced amnesty forms which can be submitted for any missing years from 2009/10 onwards. We would encourage any salaried GPs who have not filed certificates to do so as soon as possible, as PCSE have not announced a cut-off date for filing the forms. If you or your staff need any assistance with completing these, please get in touch.



Debbie Wakefield	Alison McDowall
Partner	Manager
If you think this information might be useful to a friend or colleague, please pass it on.	

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.

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