



# Autumn Newsletter 2018



## PARTNERSHIP AGREEMENTS WORTH THE PAPER THEY'RE WRITTEN ON?



- ◇ *You're a stable Partnership, everyone is friends, you won't need a Partnership Agreement, right? – **WRONG!***
- ◇ *You've got a Partnership agreement, it's out of date because some of the Partners have changed, but it's ok for now right? – **WRONG!***

**The lack of an up-to-date Partnership agreement can result in very serious circumstances.**

The Partnership may be deemed a Partnership at Will. This may not seem important, but if Partner relations sour then it can lead to some difficult situations.



The Partnership may be dissolved **at any time** by a Partner serving notice on the others. This could trigger a termination of the GMS contract.

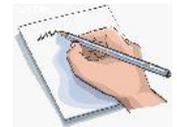


All property, including land and premises, may be deemed as **Partnership property** and may be shared equally among the Partners, regardless of the ownership of the property. In addition, there may also be an entitlement to share profits equally within the Partnership.



Under the Act there are no provisions for probationary periods. If you recruit a new Partner who you subsequently wish to remove from the Partnership, there is **no right to terminate their involvement**. Likewise, **no Partner can be expelled from the Partnership** by the other Partners no matter whether there is a good reason for the expulsion, including striking off.

**So, review your situation, get updated and get signed.**



## **SO YOU HAVE A NEW COMPANY...NOW WHAT?**

Inside this issue:

You've taken the step to incorporate your business, but what exactly does that mean? Nothing has really changed, surely? You can just carry on as you did before, yes?

Not quite.

You must always bear in mind that your Limited Company is a **separate legal entity from you as an individual**. It has its own registration at Companies House and its own Unique Taxpayer Reference issued by HMRC.

The company has its own year end date, which after the first year will dictate the dates by which accounts are filed at Companies House, the Corporation Tax liability is paid and the Corporation Tax return is submitted. Any profits generated in the com-

pany will be subject to Corporation Tax, and the company will have to pay any liability.

The company will require its own bank account. All records, income and expenses, must be in the name of the company.

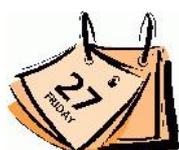
Finally, as far as you possibly can, try to avoid payments for personal items from the company.

**IF YOU WOULD LIKE MORE GUIDANCE ON YOUR COMPANY PLEASE GET IN TOUCH AT [info@hje.uk](mailto:info@hje.uk)**



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### **Company Deadline Dates:**

#### Companies house -

New Companies: Accounts filed at Companies house 21 months after incorporation;

Existing Companies: Accounts filed at Companies House 9 months after the company's financial year end.

#### Corporation Tax -

For a company with taxable profits of up to £1.5 million: Corporation Tax is paid 9 months after the end of your accounting period.

The Corporation Tax return is submitted 12 months and 1 day after the end of your accounting period.

Your accounting period is usually your financial year, but you may have 2 accounting periods in the year you set up your company.

## **GREEN CARS – A BENEFIT FOR TAX AND THE ENVIRONMENT?**

"I am about to buy a new car, should I buy it in the company?" For many years the answer has often been NO. This is about to change...

**From 2020/2021** the car benefit system will change significantly, becoming more attractive for zero and low emissions cars.

A **TAXABLE BENEFIT** arises on company cars based on a percentage of the list price of the car, with the percentage increasing as the CO<sub>2</sub> emissions rise. From April 2020 there will be new benefit percentages varying from 2% to 14% for electric cars with maximum tax savings for those cars that can travel furthest by battery power.

For example, for a fully electric car such as a BMWi3, with a list price of £33,340 and electric range of 195 miles, taxable benefits will be:

Tax year	Relevant %	Taxable benefit
2017/2018	9	£3,001
2018/2019	13	£4,334
2019/2020	16	£5,334
2020/2021	2	£667

**The reduction in benefit from April 2020 will give a tax saving of over £150 every month for a higher rate tax payer**

### **Capital Allowances:**

All businesses can claim capital allowances for **BRAND NEW** vehicles used for business purposes. Currently you can claim **100%** of the purchase costs against taxable profits for electric cars purchased before 31 March 2021 with CO<sub>2</sub> emissions ≤ 50g/km.

## **LAST MAN STANDING**

The fear of being the last man standing within a practice can lead to rapid resignations from a Partnership. With a remaining Partner being unable to retire other than by winding up the practice, the last man standing may be left with some significant financial liabilities.

In a stable, ongoing Partnership any third party can recover a debt from one or more of the Partners. However, where there has been an exodus of Partners the responsibility for any liabilities will fall on the remaining Partners.

If the last remaining partner(s) is/are unable to continue with the burdens of the Partnership, then they may choose to hand back the contract and close the practice. They will then be responsible for liabilities such as:

- Mortgage repayments;
- Redemption penalties;
- Lease payments;
- Redundancy payments, etc.

Can you manage the issue beforehand? Before joining a practice, make sure that it is 'healthy' and can service its debts. A Partnership agreement can also provide a framework to minimise the effect, for example:

- Include a clause to limit retirements in any one accounting period;
- State a minimum amount of time allowed between retirements;
- Make it an option rather than a requirement for remaining partners to continue with the partnership, after a partner leaves.

Most importantly, **SEEK ADVICE AT AN EARLY STAGE.**



**PLEASE CONTACT US AT [info@hje.uk](mailto:info@hje.uk) IF YOU WOULD LIKE TO DISCUSS ANY OF THE ABOVE**

# TAX UPDATES - I



## PROPERTY ALLOWANCE

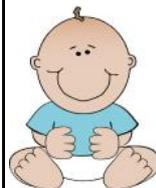
From 6 April 2017, the property allowance was introduced by HMRC. Using this allowance, you are able to claim up to £1,000 against your property income to allow for expenses.

If your gross rental income is below £1,000 per annum you will have no tax to pay on your rental income using the property allowance, regardless of the level of your expenses.

If your gross rental income exceeds £1,000 then you will have the choice of whether to claim the £1,000 property allowance or whether to claim your actual expenses if they are actually higher than £1,000.

The £1,000 is available to offset against both UK and overseas properties as well as both commercial and residential lets.

**However**, if you have more than one property, you are only allowed **ONE** single allowance of £1,000 per annum.



## MATERNITY ALLOWANCE

Are you aware that as a self employed person, whilst on maternity leave you are able to claim maternity allowance from the Job Centre?

Maternity Allowance can be claimed even though you may be getting drawings from your Partnership or business, as long as you are **NOT** working.

Maternity Allowance can be claimed for up to 39 weeks or until the date you return to work. The current rate is £145.18 per week and this income is **non-taxable**.

You will need to complete a Maternity Allowance Claim form (MA1) which can be found at the following link: -

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/705594/ma1-interactive-form.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705594/ma1-interactive-form.pdf)



## CLASS 2 NATIONAL INSURANCE CONTRIBUTIONS

The payment of Class 2 NICs qualifies you for the basic state pension and benefits such as

maternity allowance and contribution-based employment and support allowance.

If you are self employed and earn over £6,205 per annum (i.e. small profits threshold for 2018/19), you will pay class 2 National Insurance Contributions via your self assessment Tax Return. The current rate is £2.95 per week.

You may recall that Class 2 NICs were due to be abolished. However, on 6 September 2018 it was announced the Class 2 NICs will not be abolished in the current parliament..

Therefore, Class 2 NICs will continue to be collected via your self assessment Tax Returns for the year ended 5 April 2018 and year ending 5 April 2019.



## WELSH RATES OF INCOME TAX

From 6 April 2019, the Welsh Government will be able to set/change the rate of income tax for Welsh taxpayers. A taxpayer will be a Welsh taxpayer and pay Welsh rates of income tax, if they are UK resident and have their main residence in Wales for the majority of the tax year, regardless of the place of work.

The personal allowance and the basic/higher rate tax bands will remain in line with the rest of the UK. It will only be the rates at which income tax is deducted which will be decided by the Welsh Government.

Tax will continue to be paid and collected by HMRC. However, some of the income tax will be allocated to the Welsh Government as opposed to the UK Government.

The Welsh Government has agreed not to increase the rates of income tax in Wales during the current assembly.

So **GOOD NEWS** no increase in the rates of income tax until **at least May 2021!**



## ARE YOU MISSING OUT ON A £200+ ANNUAL TAX BREAK?

Marriage allowance is available for married couples where the following criteria are satisfied:

The claimant (the lower earner) has income below the personal allowance (currently £11,850)  
The higher earner is a basic rate taxpayer, i.e. their income is below £46,350

How does it work?

It allows the lower earner to transfer 10% of their personal tax allowance to the higher earning spouse (this equates to £1,190 for 2017/18). This will reduce their tax by around £238.

Claims may be backdated to include any qualifying tax year since 5 April 2015 in which couples were eligible.

Do contact us if you think you may be eligible for the marriage allowance and want to find out more.



## **HAVE YOU SET UP YOUR PERSONAL TAX ACCOUNT WITH HMRC?**

Some of your tax affairs may now be managed via your Personal Tax Account with HMRC in one place and on a secure platform. It currently forms a key element of HMRC's Making Tax Digital strategy.

You can:

- Check your income tax estimate and tax code (limited to PAYE income)
- Check how much your state pension is worth
- Inform HMRC about a change of address and other changes to your details
- Check or update your marriage allowance

HMRC's plan is that information about your pensions, employment, PAYE codes, savings income etc. will be brought together in your personal tax account, hopefully bringing to an end annual tax returns for a large number of taxpayers.

Possibly the most useful element for you is the state pension information. The personal tax account will show the National Insurance contributions made throughout your working life and how much State Pension you are likely to be entitled to. By checking at an early stage you may be able to make voluntary contributions to complete gaps in your record before it's too late and maximise your pension, as well as potentially correct errors on your record.

You can set up or access your personal tax account here: <https://www.gov.uk/personal-tax-account>.

You may use an existing Government Gateway account, or set one up if necessary.

## **EXTENDING OFF PAYROLL WORKERS TO THE PRIVATE SECTOR**

Just as workers and businesses in the public sector are getting their heads around the introduction of the new off payroll workers in the public sector, HMRC has published minutes from its IR35 forum in December, in which it says that IR35 reform in the public sector has increased compliance. HMRC's "possible next step" is to extend that reform to the private sector.

With a consultation due to be published in 2018, further reform may take place as early as **April 2019**.

**We will update you as more detail is available.**



## **TRADING ALLOWANCE EXPLAINED**

A trading allowance has been introduced from 2017/18 tax year onwards to exempt trading and/or miscellaneous income of up to £1,000 per tax year from income tax.

If your total trading income in the basis period for the tax year is less than £1,000 then you have no taxable income from the activities. This means there is no need to prepare accounts and no need to include the income on your self assessment tax return. If this is your only source of taxable income there is no need to register for self assessment in these

circumstances. But there may be circumstances where you may still want to register, even if you don't have to, for example:

- you want to pay voluntary class 2 NI contributions.
- you want a record of your self employment for maternity allowance
- you would like to claim tax-free childcare.

If your total trading income in the basis period for the tax year is more than £1,000 you can choose to deduct the trading allowance from the trading income instead of deducting your actual business expenses for the period. If you do this, the taxable profit from the activity will simply be the total income less the trading allowance.

If you claim the trading allowance and you are repaying your student loan, then the income used to calculate your student loan repayments will be the amount after the trading allowance has been deducted.

### **Would I benefit from this allowance?**

PLEASE CONTACT US AND WE WILL BE HAPPY TO ADVISE [info@hje.uk](mailto:info@hje.uk)



## **CHILD BENEFIT – SHOULD I CLAIM?**

If you or your partner has individual income greater than £50,000, you may be subject to a tax charge based on the amount of child benefit you receive.

When individual income exceeds £60,000 the tax charge payable will equate to 100% of the child benefit you receive. At this point, you may choose to opt out from claiming child benefit.

**BUT** first make sure you don't miss out on:

- Automatically receiving National Insurance credits to protect your entitlement to State Pension, (especially important if one partner is not earning)
- your child being automatically issued with a National Insurance number before their 16th birthday
- other benefits, such as Guardian's Allowance.

## TAX FREE CLOTHING TO STAFF



What is staff clothing and how do we ensure tax relief is available? Staff clothing is any clothing that an employee is **required** to wear to carry out their duties.

To be tax deductible the clothing must be **wholly and exclusively for business purpose**. This can be safety and protective clothing or staff uniform.

More and more businesses are providing uniforms to staff, the question is what is a uniform? HMRC defines it as “a set of clothing of a specialised nature that is recognisable as a uniform and is intended to identify its wearer as having a particular occupation”.

HMRC have also indicated that the use of a “conspicuous corporate logo sewn into articles of clothing that are visible to the public should allow those clothes to be categorised as uniforms”.

If HMRC doesn't consider it to be a uniform, a tax charge may arise based on the annual value of the use of the clothing.

### TAX FREE WAYS TO TREAT YOUR STAFF

Do you want to treat your staff? **GOOD NEWS** you are now able to provide your staff with a trivial benefit without the implications of tax and NI. There are a few simple rules to follow;

- The cost must not exceed £50
- It cannot be cash or a cash voucher – gift vouchers are allowed providing they can not be exchanged for cash
- It is not a reward for their work, or performance of their regular employment duties
- It is not included in the terms of their contract

A few examples of trivial benefits may include a meal out, or a Christmas/ Birthday gift of say a bunch of flowers, box of chocolates or even a store gift card (exchangeable for goods).

An additional way to provide benefits to employees without the implications of tax and NI can be by means of a social event. Again there are a few simple rules to follow;

- No more than £150 per annum, per staff member can be spent
- The event must be annual such as a Christmas party or summer barbeque
- The event is open to all employees

It is possible to have separate events for different departments as long as each employee has the opportunity to attend one event



### TAX RELIEF ON MOTORING COSTS FOR GP'S / MEDICAL CONSULTANTS – A REMINDER

- Travel by GP's and GP Locums to undertake itinerant work – for example, home visits to patients either from their own home; surgery or private hospital – **IS tax deductible.**
- Travel expenses for journeys between places of business for purely business purposes – such as two surgeries or private hospitals – **IS tax deductible.**
- Travel expenses for journeys between a location which is NOT a place of business – for example, an NHS hospital – and a location which is a place of business (such as home, surgery or private hospital) **IS NOT tax deductible.**
- Travel expenses for journeys between home – even where the home is used as a place of business (e.g. during evenings or weekends) – and places of business – for example, surgeries and private hospitals – are generally treated as **NOT tax deductible.**

**FINALLY - KEEP A RECORD OF YOUR BUSINESS MILEAGE TO SUPPORT YOUR CLAIM.** There are a number of apps available for smartphone users to help with this.

**PLEASE CONTACT US AT [info@hje.uk](mailto:info@hje.uk) IF YOU WOULD LIKE TO DISCUSS ANY OF THE ABOVE**

**TRAINING AND CPD – IS IT TAX DEDUCTIBLE ?**

Most business owners would think that any training costs aimed at improving skills or business profits would automatically qualify for tax relief but this is not necessarily the case. As a basic rule

- Training to keep your current skills updated is **allowable**
- Training to acquire new skills is **not allowable**

For example medical professionals are required to keep their knowledge and skills up to date (continuing professional development – CPD). Any costs incurred to achieve this by self-employed medics will attract tax relief (which would include all related travel, subsistence and accommodation costs).

However, if a doctor, was to undertake training to be able to give botox injections, for example, this is an enhancement of knowledge to acquire a new skill and would not be allowable for tax. Any related costs would also not be allowable.

There may be occasions when it may not be quite so clear cut as to which category a course or seminar falls in to.

**PLEASE CONTACT US FOR FURTHER ADVICE AT [info@hje.uk](mailto:info@hje.uk)**

THE TAX GUIDANCE FOR TRAINING COSTS OF DIRECTORS AND EMPLOYEES OF A LIMITED COMPANY FOLLOW DIFFERENT RULES SO PLEASE CONTACT US FOR FURTHER INFORMATION.

**STARTING TO TRADE**

When you incorporate a new company you must register for Corporation Tax with HMRC within three months of starting to trade. For HMRC purposes the date that the company started to trade is defined as:



- carrying on a business activity such as a trade or professional activity
- buying and selling goods with a view to making a profit or surplus
- providing services
- earning interest
- managing investments
- receiving any other income

**IF YOU ARE UNSURE OF ANY ASPECT OF THIS PLEASE CONTACT US AT [info@hje.uk](mailto:info@hje.uk)** and we can help you to notify HMRC that the company has started to trade and register your company for Corporation Tax.

**ALLOWABLE COMPANY EXPENSES \*:**

- Advertising, marketing and PR;
- Annual event up to £150 per person per year;
- Bank charges;
- Computer equipment and software (bought in company name);
- Home office £4 per week or a proportion of costs used for business purposes;
- Insurance **such as professional indemnity**;
- **Pension contributions** to an approved scheme;
- Professional fees incurred in the running of the company business;
- Stationery, postage and printing costs;
- Telephone and broadband (dependent on contract name and personal usage);
- Training courses where knowledge is extended and they relate to the business;
- Travel and subsistence



\*List not exhaustive

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## **POUND-COST AVERAGING**

Increasing the long-term value of your investments

(This article was contributed by Dinesh Bharwani Chartered Financial Planner MBA DipPFS CEMAP at Charles Derby)

With Brexit looming around it's natural to be looking for ways to smooth out your portfolio's returns. Investing regularly can smooth out market highs and lows over time. In a fluctuating market, a strategy known as 'pound-cost averaging' can help smooth out the effect of market changes on the value of your investment and is one way to achieve some peace of mind through this simple, time-tested method for controlling risk over time.

It enables investors to take advantage of stock market corrections, and by using the theory of pound-cost averaging you could increase the long-term value of your investments. There are however no guarantees that the return will be greater than a lump sum investment, and it requires discipline not to cancel or suspend regular Direct Debit payments if markets continue to head downwards.

## **REGULAR INTERVALS**

The basic idea behind pound-cost averaging is straightforward: the term simply refers to investing money in equal amounts at regular intervals. One way to do this is with a lump sum that you'd prefer to invest gradually – for example, by taking £50,000 and investing £5,000 each month for 10 months. Alternatively, you could pound-cost average on an open-ended basis by investing, say, £5,000 every month. This principle means that you invest no matter what the market is doing.

Pound-cost averaging can also help investors limit losses while also instilling a sense of investment discipline and ensuring that you're buying at ever lower prices in down markets.

## **MARKET TIMING**

Investment professionals often say that the secret of good portfolio management is a simple one – market timing. Namely, to buy more on the days when the market goes down, and to sell on the days when the market rises. As an individual investor, you may find it more difficult to make money through market timing. But you could take advantage of market down days if you save regularly by taking advantage of pound-cost averaging.

HJE  
Garth House  
7 Ty Nant Court  
Morganstown  
Cardiff  
CF15 8LW

Phone: 029 20 814084  
Fax: 029 20814085  
E-mail: [info@hje.uk](mailto:info@hje.uk)



@HJEaccountants

HJE Healthcare Accountants



[www.hje.uk](http://www.hje.uk)

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