Issue 3

SUMMER NEWSLETTER 2019

FINAL PAY CONTROLS AND EMPLOYER CHARGE - THE STING IN THE TAIL

- Are you a GP practice with staff who are members of the 1995 pension scheme?
- Do you have staff who are 1995/2015 transition members?
- Are they planning to retire or transfer their NHS pension to another scheme?
- **THEN AS AN EMPLOYER YOU MAY BE LIABLE TO A FINAL PAY CONTROL CHARGE**

Since 1 April 2014, if a member (Officer and Practice Staff) receives an increase to pensionable pay that exceeds the 'allowable amount' in any of the three years leading up to retirement, then the employer is liable for a final pay control charge.

So what is an 'allowable amount'?

The 'allowable amount' is the amount that the pensionable pay can increase by before there is an additional liability to the employer under the final pay control charge. The 'allowable amount' is the lesser of:

* The member's pensionable pay in the relevant year;
* The member's pensionable pay in the previous year plus CPI% plus 4.5%; or
* The percentage increase in the member's pensionable pay for the current year, compared to the previous year.

What could be the effect?

It is possible that if in the last 4 years of being a member of the NHS pension scheme the annual pensionable pays from 2016 through to 2019 were £25,000, £27,000, £29,000 and £33,000, a charge in the region of £20,000 could result.

You will note that even for a relatively modest increase each year, perhaps reflective of a change in duties or increase in hours, a charge will be incurred.

These rules affect Non GP provider partners as well. It is therefore advisable for the individual to seek advice before taking retirement as the method of calculating pensionable profits in the final year may result in inflated pensionable profits for the year, thus triggering a final pay control charge.

FAQs

What happens if there is more than one employer involved?

⇒ In this situation the charge will be made to the employer that instigated the increased pensionable pay.

When does the charge to the employer arise?

⇒ The award of the pension to the employee is the point at which the charge to the employer is triggered.

Will there be a delay in the employee receiving their pension?

⇒ There will not be a delay where the employer is liable for a charge.

Are benefits awarded in respect of the death of a scheme member subject to the final pay control?

⇒ Pension benefits in respect of the death of a scheme member are not subject to final pay controls.

IF YOU ARE IN ANY DOUBT AS TO HOW THIS MAY AFFECT YOU AS AN EMPLOYER, THEN PLEASE CONTACT HJE AT info@hje.uk AND WE WILL BE HAPPY TO REVIEW THE POSITION.

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ARE YOU A WELSH TAXPAYER?

CROESO I'R FLWYDDYN TRETH NEWYDD 2019/2020! (Welcome to the new tax year 2019/2020!)

From 6 April 2019, the Welsh Government has been responsible for setting the Welsh rates of Income Tax payable by people with main residence in Wales, who are liable to Income Tax.

The Welsh Rates of Income Tax for 2019/2020 are:-

Earnings	Rate (%)
£0 to £12,500	0
£12,500 to £50,000	20
£50,001 to £150,000	40
£150,000+	45

WITH EFFECT FROM 6 APRIL 2019, TAXPAYERS RESIDENT IN WALES SHOULD HAVE RECEIVED A NEW TAX CODE THAT BEGINS WITH 'C'. DOES YOUR NEW TAX CODE BEGIN WITH A 'C'? IF NOT, PLEASE GET IN TOUCH!

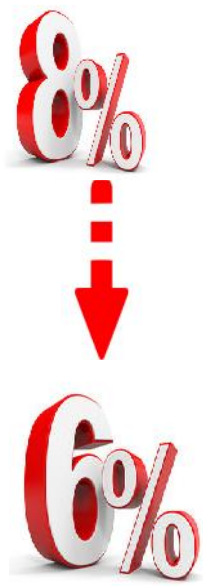
For further information, please follow the link:- https://www.gov.uk/welsh-income-tax

CAPITAL ALLOWANCES – THE REDUCTION OF THE SPECIAL RATE POOL ALLOWANCE

FROM 6 APRIL 2019, HMRC have announced a reduction in the 'Special Rate Pool' writing down allowance, from 8% to 6% per annum (on a reducing balance basis).

Who will this affect?

- Any businesses who invest in plant and machinery that qualifies as special rate expenditure, such as integral features of a building and long life assets.
- It will also affect businesses that purchase vehicles with CO_2 emissions of 110g/km or more (purchased after 1 April 2018).



What effect will it have?

The reduction means that business will continue to receive full tax relief to reflect the depreciation of these assets and vehicles, but now it will be over an extended timeframe.

On a brighter note, HMRC have confirmed that there will be no change to the writing down allowance on the Main Pool assets, which is currently 18%.

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LOCUM GPs AND ANNUALISATION – THE SAGA CONTINUES…

2015 scheme

"ALL BREAKS IN SERVICE, REGARDLESS OF LENGTH, MUST BE ACCOUNTED FOR"

Those of you completing Locum A and B forms from 1 April 2019 may have noticed that the guidance now says that when annualising your GP income, if you are a member of the 2015 scheme "all breaks in service, regardless of length, must be accounted for" when annualising income.

WHAT DOES THIS MEAN?

That's a really good question! If we give an example – if a GP works at practices as a locum for one day every week this would be a **"BREAK IN SERVICE"** and the annualisation rules need to be applied.

DOES THIS INCLUDE WEEKENDS?

The guidance is not clear on this and we are still awaiting clarification.

WHAT TIER RATE CAN I EXPECT TO PAY?

We believe that many locum GPs will find they have to pay contributions at the highest tier rate of 14.5% as a result of the removal of the concession of a 3 month break.

WHAT IF I AM ALSO A PARTNER OR SALARIED GP?

You will be subject to the **"ADD THEN ANNUALISE"** rules for determination of your tier rate. If you have had no breaks in service in your salaried/partner post during the year, this rule change should have no affect on your tier rate.

LOCUM/LONG-TERM LOCUM?

The NHS Pension regulations define a locum as someone who deputises or assists temporarily in the provision of essential services, additional services, enhanced services, dispensing services, OOH services, commissioned services, certification services or collaborative services (or any combination thereof).

England and Wales, NHS Pensions used to define temporarily as deputising for UP TO SIX MONTHS. The guidance has now removed the six month limit.

If a GP feels that they continue to fall with the definition of locum they should pension their income using the locum A and B forms, pensioning 90% of their income.

Alternatively, as a long-term locum, they would be treated for pension purposes as a salaried GP, with 100% of their income being pensionable.

IF YOU ARE IN ANY DOUBT AS TO HOW THIS MAY AFFECT YOU THEN PLEASE CONTACT HJE AT info@hje.uk AND WE WILL BE HAPPY TO REVIEW THE POSITION.

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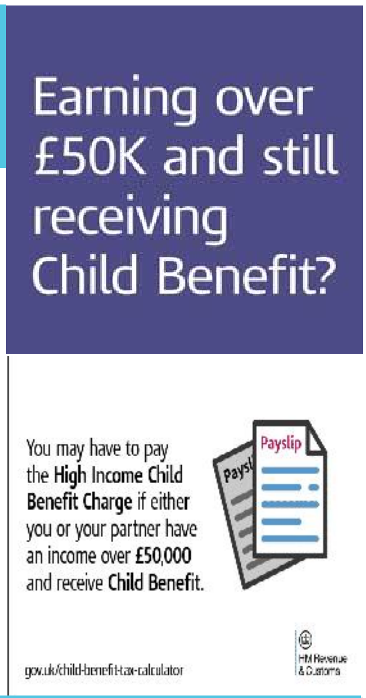
ARE YOU CLAIMING CHILD BENEFIT?

You are eligible to claim Child Benefit if you are responsible for one or more children under 16 years of age (or under 20 years of age if they are in approved education or training). In order to claim, you will need to fill in the following form:-

https://www.gov.uk/government/publications/child-benefit-claim-form-ch2

PLEASE BE AWARE THAT YOU MAY BE LIABLE TO A 'HIGH INCOME CHILD BENEFIT CHARGE' IF YOU HAVE INDIVIDUAL INCOME OVER £50,000.



You can choose **NOT TO** receive Child Benefit payments but it is advisable that you still **SUBMIT A CHILD BENEFIT CLAIM FORM TO HMRC** because:-

- It will help you receive National Insurance credits which will count towards your State Pension. Credits will ensure that you do not have any gaps in your National Insurance record;
- It will ensure that your child is registered to get a National Insurance number on their 16th Birthday

For further information, please follow the link:-
https://www.gov.uk/child-benefit

BE AWARE.........Changes to Private Residence Relief (PPR)

While PPR is continuing for an individual's main residence, from **April 2020** changes are being made to two supporting reliefs.

Final exemption period

This relief allows for the final period of ownership of a property to qualify for PPR even where the property is not the only or main residence during the period (i.e. the property is empty or rented out during the final period of ownership).

Currently, the final exemption period is 18 months. From April 2020, this is being **reduced** to 9 months. Please note that this relief will remain at 36 months for disabled persons and those who move into care homes.

Letting relief

Letting relief is used to reduce Capital Gains whereby you sell a property which is, or at some point has been, your only or main residence and during the period of ownership the property has been let on a residential basis.

Currently, letting relief can reduce the Capital Gain on the sale of a property which qualifies for PPR by up to £40,000. However, from April 2020, this relief will only be available when the owner of the property is in a shared occupancy with a tenant.

If you are planning to sell a property, please ensure that you discuss the matter with us to ensure that you are fully aware of the potential Capital Gains Tax you may be liable to on disposal.

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DIRECTORS LOANS

You are a director of a company

- **maybe you have just incorporated your private income;**
- **maybe you have been running the company for years….**

There's money in the company bank account, it's there to be used right?

Not always!

Unless you have a Director's Current Account balance available to draw out of the company, then as a rule you should **avoid using the company bank account for personal transactions**.

Remember, that ***EXPENSES IN THE COMPANY SHOULD BE WHOLLY AND EXCLUSIVELY FOR THE PURPOSE OF THE BUSINESS.*** This means, that any personal payments such as personal tax liabilities, school fees, home utility bills etc. will be deemed to be a loan from the company and could result in an overdrawn Director's Current Account.

What happens if there is an outstanding Director's loan?

If the Director's Current Account does become overdrawn, then there are some points which should be borne in mind.

- If the overdrawn balance is repaid prior to 9 months after the company year end then no additional tax will be payable;
- If the loan remains outstanding after 9 months then tax will be payable on the outstanding amount at 32.5%; (NB - If the loan is subsequently repaid then the tax paid will be reclaimable at the subsequent submission of the company tax return);
- 'Bed and Breakfasting' rules apply whereby if you repay the loan before the 9 months is up, and then withdraw the money again within 30 days, then the 32.5% tax will still be chargeable;
- If a loan exceeds £10,000 then we recommend the company charges interest at the standard rate of interest (currently 2.5%) on the loan. The interest is then taxable income within the company.
- If the company does not charge interest then the director will be taxed on the benefit in kind and the company liable to a Class 1A NIC charge.

NEXT TIME YOU ARE TEMPTED TO USE COMPANY FUNDS FOR PERSONAL PURPOSES, THINK ABOUT THE POTENTIAL CONSEQUENCES; THERE MAY BE MORE TAX TO PAY.

PLEASE GET IN TOUCH!

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NHS Pensions - Change in Employer Contribution Rate

The Welsh Government has announced that from 1 April 2019, the employer contribution rate of NHS superannuation will increase from the current level of 14.38% to 20.68%; an increase of 6.3%. This rate has been agreed until 31 March 2023 and will apply to members of both the 1995/2008 and 2015 Pension Scheme.

Fortunately for GP Practices, it has been agreed that the additional 6.3% will be paid directly by the Government for 2019/2020, meaning that the increased employer contributions will not adversely impact on the finances of Practices.

So, what will happen from 1 April 2020?

The rate increase will affect GP Practices in four major ways:

1. GP Partners
2. Practice staff
3. Salaried doctors
4. Locum doctors

For example

A locum doctor who previously cost the Practice £338.83 per session (£300.00 + employer pension) will in future cost the Practice £355.83; an increase of £17.

If that locum doctor were to work two sessions per week at the Practice for 48 weeks of the year, the increased cost to the Practice would be £1,632.

To make things worse, the locum will not even receive an increased pension when they retire, due to the way the NHS Pension is calculated!

Arrangements for 2020/2021 will be confirmed in due course, with the expectation that the Scheme will return to 'business as usual' arrangements in 2020/2021 both in terms of contribution collections and funding flows.

Assuming that the additional 6.3% will be passed onto Practices to pay, it seems inconceivable that the Global Sum will not be uplifted to ease the financial burden on Practices. However, to date, the Welsh Government have not issued any correspondence which confirms this.

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ARE YOU ENTITLED TO INCOME TAX RELIEF FOR EMPLOYMENT EXPENSES?

Are you in Employment and your Employer has not reimbursed you for any Employment Expenses incurred personally? For example:-

- Professional Subscriptions – (https://www.gov.uk/government/publications/professional-bodies-approved-for-tax-relief-list-3/approved-professional-organisations-and-learned-societies);
- Business Mileage*;
- Tax Allowable Exam fees;
- Tax Allowable Courses.

* or if your Employer has reimbursed less than 45p/mile on first 10,000 miles.

OR

are you a Higher Rate taxpayer **(EARNINGS EXCEEDING £50,000)** not completing annual Self Assessment Tax Returns and have been paying:-

- Gift Aid donations;
- Personal Pension Contributions.

Then you may be entitled to a refund of Income Tax as far back as 6 April 2015!

PLEASE GET IN TOUCH!
CONTACT US AT
info@hje.uk

Some useful deadline dates:-

Tax Year	Deadline Date For Income Tax Relief Claim
6 April 2015 to 5 April 2016	5 April 2020
6 April 2016 to 5 April 2017	5 April 2021
6 April 2017 to 5 April 2018	5 April 2022
6 April 2018 to 5 April 2019	5 April 2023

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Summary Tax/NIC Limits 2019/2020

Allowances:-

Standard Personal Allowances*	£12,500
Personal Savings Allowance	
Basic Rate Taxpayer	£1,000
Higher Rate Taxpayer	£500
Additional Rate Taxpayer	£Nil
Dividend Allowance	£2,000

English/Welsh Rates of Income Tax:-

Earnings	**Income Tax Rate (%)**
£0 to £12,500	0
£12,500 to £50,000	20
£50,001 to £150,000	40
£150,000+	45

National Insurance Rates:-

- Class 2 (Self Employed) = £3.00 per week (if profits exceed £6,365);
- Class 3 (Voluntary) = £15.00 per week;
- Class 4 (Self Employed):-

Profits	**Rate (%)**
£8,632 to £50,000	9
£50,001+	2

Income Tax on Dividends:-

Taxable Income	**Dividend Rate (%)**
£0 to £37,500	7.5
£37,501 to £150,000	32.5
£150,000+	38.1

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We are a firm of Chartered Accountants which was established over 20 years ago. Whilst we act for clients in a number of different business sectors we specialise in providing accountancy and advisory services to individuals and businesses within the healthcare sector. We currently act for 70 GP Practices and approximately 650 clients, of which over 550 are GPs in general practice, GP locums, salaried GPs, hospital doctors, hospital consultants or dentists.