Issue 3

WINTER NEWSLETTER 2020

I AM A GP - CAN I RETIRE AND CONTINUE WORKING?

YOU CAN TAKE 24-HOUR RETIREMENT, WHICH ALLOWS YOU TO DRAW YOUR NHS PENSION AND THEN RETURN TO WORK WHILE IN RECEIPT OF YOUR PENSION.

How do I do this?

- If you are in the **1995 NHS pension scheme**, you must **not work in the NHS during the first 24 hours (this can be a weekend day).** On your return, you must **not work for more than 16 hours per week in the first calendar month**, ***however, due to COVID-19 the 16-hour rule has been temporarily suspended.***
- If you are in the **2008 or 2015 NHS pension scheme** you must **not work in the NHS during the first 24 hours (this can be a weekend day) but there is no restriction in hours that you work on your return.**
- **If you retire on the grounds ill-health you are permanently exempted from the 16-hour restriction.**

What will happen when I return to work?

- You need to be aware that there may be additional tax due, with the additional pension income possibly pushing your taxable income in to a higher tax bracket. If you are a salaried GP, you may think that the additional tax will be collected at source? However, this depends on whether HMRC have updated your tax code correctly. **We can help you to plan for this. Give us a call before you retire.**
- GP Partners – No longer paying pension contributions? You are entitled to additional drawings**. Don't forget to put aside some of these additional drawings to cover the additional tax!** With no superannuation contributions there is no relief against your taxable income.

How do I apply and what do I need to consider?

- Complete Form AW8. You need to submit it to the pensions agency at least three months prior to the retirement date (preferably six months). Look out for the acknowledgement of this. Only then can you be happy that your retirement has been registered.
- Are you a single-handed GP? For 24 hours your GP contract will need to be held by someone else. Speak to the local health board or CCG well in advance as this is can be complex.
- Are you a partner taking 24-hour retirement? You also need to also speak with the local health board or CCG, it is possible your retirement could affect the practice contract.
- What does your partnership agreement say? Is there a clause to allow your return? If not then make sure you get separate consent for your return from all partners, otherwise your retirement may be longer than 24 hours!!
- Do you have a tax charge arising from exceeding the pension annual allowance? Are you doing an NHS pension scheme pays election to pay this tax? This must be applied for **BEFORE** retirement as no application can be made after retirement.
- Do you have enough insurance? Benefits, such as "death in service" and "ill-health retirement" reduce when pension contributions stop.
- Do you still need a type 1 certificate of pensionable profits – if you are receiving seniority payments you still need to prepare a certificate.
- Finally, make sure the pension contributions have actually stopped! Often they continue in error and have to be refunded.

THINKING OF RETIRING? SPEAK TO YOUR PARTNERS, SPEAK TO THE HEALTH BOARD AND, MOST IMPORTANTLY, SPEAK TO HJE SPECIALIST MEDICAL ACCOUNTANTS BEFORE YOU SUBMIT THE FORM.

Inside this issue:

BECOMING A GP PARTNER – What does it mean?

Are you considering partnership as your next career step? ? ? ? ?

What is a partnership?

◊ GP Partners are responsible jointly for the contract held with the Local Health Board (Wales) and CCG (England)
◊ Partners are responsible for practice expenses as well as sharing in the profits
◊ Partners are responsible for repaying any debts individually, as well as being responsible as a group (joint and several liability)

In becoming a GP Partner it is a **commitment** which allows a GP to

◊ Gain a unique understanding of the health needs of your patient population
◊ Offer continuity of care and to help shape the local healthcare provision
◊ Gives you the opportunity to play to your strengths, taking the lead in a clinical or financial role within the partnership
◊ Ability to contribute with special clinical skills within or outside of your practice commitments

HOWEVER, IT IS VITAL TO BE FULLY AWARE OF THE COMMITMENT THAT YOU ARE MAKING, NOT JUST FROM A MEDICAL PERSPECTIVE BUT A FINANCIAL AND LEGAL PERSPECTIVE.

◊ Sharing of profits – profits are shared to reflect each partners' working commitment to the practice
◊ A partnership agreement is vital in establishing profit shares as unless clear evidence to the contrary, all partners are deemed to have equal shares
◊ A partnership agreement establishes an agreed profit share for areas such as notional rent, premises loan interest, seniority, partnership premium as well as covering holiday, paternity, maternity and sickness entitlement
◊ As a partner you will become an employer alongside the other partners, which brings additional responsibilities and a duty of care
◊ As a partner you will need to offer a level of management commitment

£ Buying into the practice

A CONDITION OF JOINING AS AN EQUITY PARTNER (RECEIVING A SHARE OF PROFITS) IS THAT YOU BUY INTO:-

FIXED PRACTICE ASSETS
You will need to buy your share of practice assets, which might include surgery premises, fixtures & fittings and equipment
WORKING CAPITAL
You will be expected to provide your share of the working capital required to meet the day to day running of the practice
THIS MAY POSSIBLY BE FUNDED BY A BANK LOAN (TAX RELIEF AVAILABLE ON THE INTEREST PAID) OR BY REDUCING YOUR DRAWINGS FOR A PERIOD.

MAKING THE DECISION TO MOVE FROM BEING A SALARIED GP OR LOCUM GP TO A GP PARTNER

You will need to consider:

→ **Practice Accounts** – ask for a copy of the accounts and ask the practice accountant to explain them to you.
→ **Earnings from the practice** – ask for a forecast of practice profits. As a partner you will take drawings throughout the year based on anticipated profits. You need to remember **DRAWINGS ARE NOT THE SAME AS PROFITS**
→ **Tax** – tax is calculated on your share of profits and will be paid twice a year. It is vital you save for this. We will be happy to explain how this works
→ **Pension** – contributions to the NHS Pension Scheme (superannuation) are based on profits from your NHS income. Payments are deducted via the practice each month and at the end of the year a GP Type 1 certificate of pensionable profits is prepared. We can prepare this for you

CONTACT US AT INFO@HJE.UK FOR FURTHER ADVICE AND GOOD LUCK IN YOUR NEW PARTNERSHIP!!

WINTER NEWSLETTER

PARTNERSHIP PREMIUM – SHOULD I SIGN UP?

PLEASE NOTE THAT THIS SCHEME IS ONLY AVAILABLE IN WALES.

Unlike Seniority, Partnership Premium it is not based on years of service. Instead, it is available to all GPs in Partnership, irrespective of length of service. The amount of Partnership Premium payable is linked to the GP Partner's sessional commitment. This is a substantial shift in focus to incentivising new and existing Partners to take up Partnership roles and holds significant benefit for those Partners who are early in their career.

HOW IS IT CALCULATED?

The new scheme will provide an annual payment of £1,000 per clinical session (maximum of 8 sessions per week) to every GP Partner who opts to participate in the scheme.

There is also a senior premium, under which GP Partners with 16 years or more service will receive an additional £200 per clinical session.

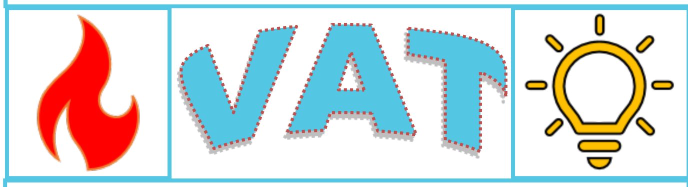
A clinical session is defined as 4 Hours 10 Minutes and will usually consist of patient contact plus time for correspondence, test follow up and other administrative tasks involved in patient care. They do not include time spent on locum work.

FAQs

I am a newly qualified GP. Will I be eligible for the Partnership Premium Scheme?
Yes. The Partnership Premium Scheme is available to all GP partners who undertake clinical work.

Can I choose to migrate to the Partnership Premium Scheme at a future date?
Yes. However, once migrated, GPs will not be able to revert to the Seniority Payment Scheme.

Is the Partnership Premium pensionable?
Yes. Partnership Premium forms part of a GP's superannuable income.



HOW MUCH VAT SHOULD OUR GP PRACTICE BE PAYING ON GAS AND ELECTRIC?

VAT is usually charged at 20%. However, we are aware that a number of GP practices have been incorrectly advised that they can pay VAT on gas and electricity at a reduced rate of 5%. Whilst there are several exemptions to the 20% rate, we believe that a GP practice would only be able to pay the reduced rate in respect of gas and electricity where the practice's consumption falls within the "deminimis - low consumption" limits:-

* business electricity demand is below, on average, 33kWh per day or 1,000 kWh per month or;
* business gas consumption is below, on average, 145kWh (5 therms) per day or 4,397 kWh (150 therms) per month.

If you have been asked to sign a declaration confirming that the practice is eligible to pay the reduced rate for any other reason please get in touch with us

CHANGES TO THE ANNUAL PENSION ALLOWANCE

As in previous years, the standard annual allowance remains at £40,000. However, the threshold income and adjusted income levels have been increased, so that fewer people are affected by the tapered annual allowance.

With effect from 6 April 2020, the **threshold income** (i.e. total income less pension contributions) for annual pension allowance purposes increased from £110,000 to £200,000. Therefore, any individuals with a threshold income of less than £200,000 for 2020/2021 will be entitled to their full annual allowance of £40,000.

In addition to the above, the **adjusted income** (i.e. net income plus pension accrual) increased from £150,000 to £240,000.

However, the minimum tapered annual allowance for 2020/2021 has decreased from £10,000 to £4,000. The tapered annual allowance comes into effect when an individual exceeds their adjusted income of £240,000. When this occurs, the annual allowance of £40,000 is reduced by £1 for every £2 of income over the adjusted income of £240,000.

WINTER NEWSLETTER

FINAL PAY CONTROLS AND EMPLOYER CHARGE – A REMINDER

- **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?

Without showing the detailed calculations, **it is possible that if in the last 4 years of being a member of the NHS pension scheme the annual pensionable pay 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 and we will be happy to review the position.

PLEASE GET IN TOUCH!

CONTACT US AT info@hje.uk

WINTER NEWSLETTER

NO REDUCTION IN THE CORPORATION TAX RATE

The current corporation tax rate for trading companies is 19%.

In the 2015 Summer Budget, the Government announced legislation setting the Corporation Tax main rate at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. A further reduction to 17% for the year starting 1 April 2020 was announced in the 2016 Budget.

However, in the 2020 Budget, the Government announced that the Corporation Tax main rate for the years starting 1 April 2020 and 2021 would now remain at 19%.

BUSINESS ASSET DISPOSAL RELIEF

Business Asset Disposal Relief (formerly known as Entrepreneurs' relief), allows you to pay tax at 10% on all gains on the disposal of qualifying assets.

You should note that from 11 March 2020, for qualifying disposals the lifetime limit has been reduced from £10 million to £1 million. Qualifying disposals will continue to be subject to Capital Gains Tax at the reduced rate of 10%.

To qualify for Business Asset Disposal Relief on the sale of a business you must have owned the business for at least 2 years and dispose of the business within 3 years to qualify for the relief.

RISHI SUNAK WINTER ANNOUNCEMENT

For taxpayers affected adversely by Covid: -

- Self Assessment– you may be able to extend payment of outstanding tax bills over 12 months;
- Self employed income support scheme – this is now extended until 30 April 2021. The 3rd grant covering the period 1 November 2020 to 31 January 2021 will be paid at 80% of 3 months average monthly trading profits, in line with the previous grants. This grant is now open to apply online, in the same way as the previous grants;
- VAT - deferred VAT payments due 31 March 2021 may be spread over 11 months;
- Job Support Scheme – this scheme was due to come into force from 1 November 2020. However, this has since been postponed due to the Coronavirus Job Retention Scheme (CJRS) being extended until 31 March 2021. Government will be making a further review of the CJRS in January 2021.

If you need any further advice on any of the above points, please contact us @ info@hje.uk

CAPITAL GAINS TAX: 30-DAY PAYMENT AND REPORTING

- There is change to the capital gains tax (CGT) deadline for reporting the sale of residential property in the UK and paying any CGT liability. This will affect property you let out: though if you have at any time occupied such property as your main private residence, different rules may come into play. Please do contact us if this is the case.
- From 6 April 2020, sales must be reported to HMRC, and any CGT paid, within 30 calendar days of completion. Interest and penalties apply if this is not done within the time limit. Following a temporary easing of the rules due to Covid 19, transactions completed from 1 July 2020 will incur a late filing penalty if not reported within 30 calendar days. Interest accrues if tax is unpaid after 30 days.
- In the past, payment and reporting were made via the self assessment tax return. A disposal in the tax year ending 5 April 2020, for example, would be reported on the tax return for 2019/20, due for submission by 31 January 2021. Accelerating the payment window obviously has considerable consequences for cash flow, with the need for funds to be in place to settle any liability. It also means the immediate need for a CGT calculation, even if the detail is subsequently refined in the self assessment return. Please do contact us in advance if you are planning to dispose of any part of your property portfolio and we can advise further.

PROPERTY & TRADING ALLOWANCE

You may recall that from 6 April 2017, the property and trading allowances were introduced by HMRC. Using these allowances, you can claim up to £1,000 in tax free allowances against each income type. Therefore, if you have both property and trading income, you can claim the £1,000 allowance against each income source.

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

Of course, if your actual expenses exceed the £1,000 allowance, you will continue to claim the actual expenses against the income sources.

Please note that if you have more than one property, you are only allowed **ONE** single allowance of £1,000 per annum against your rental income, not £1,000 per property.

More information from HM Revenue and Customs on this matter can be found at the following link: -
https://www.gov.uk/guidance/tax-free-allowances-on-property-and-trading-income

WINTER NEWSLETTER

SUMMARY OF TAX/NIC LIMITS 2020/2021

PERSONAL ALLOWANCE

Standard Personal Allowance*	£12,500

*The personal allowance is reduced by £1 for every £2 of income exceeding £100,000.

INCOME TAX RATES AND BANDS

English/Welsh Rates of Income Tax for 20201/21, after the deduction of the personal allowance is as follows: -

		Income Tax Rate
Basic Rate	Up to £37,500	20%
Higher Rate	£37,500 to £150,000	40%
Additional Rate	Over £150,000+	45%

DIVIDEND TAX RATES

The dividend allowance for 2020/2021 remains at £2,000. The tax rate on this first £2,000 is 0%.

Dividend income in excess of the dividend allowance, is taxed based on your income tax band as follows: -

	Dividend Rate
Basic Rate	7.5%
Higher Rate	32.5%
Additional Rate	38.1%

PERSONAL SAVINGS ALLOWANCE

You can get up to £1,000 of interest without being subject to tax. This is your Personal Savings Allowance. The amount you are able to receive without the deduction of tax depends on your income tax band, as shown below: -

	Personal Savings Allowance
Basic Rate	£1,000
Higher Rate	£500
Additional Rate	£Nil

NATIONAL INSURANCE RATES

Class 1 (Employed)

Income	Rate
£0 – £9,500	Nil
£9,500 to £50,000	12%
Over £50,000	2%

Class 2 (Self Employed)

£3.05 per week*

*If profits exceed the small profits threshold for 2020/2021 of £6,475 for the year.

Class 3 (Voluntary)

£15.30 per week

Class 4 (Self Employed)

Profits	Rate
£0 – £9,500	Nil
£9,500 to £50,000	9%
Over £50,000	2%

TAX FREE WAYS TO TREAT YOUR STAFF

Do you want to treat your staff? **GOOD NEWS!** You are 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.

AUTUMN BUDGET

Please be aware that due to the ongoing Covid-19 situation, the Treasury have advised that the Autumn Budget will not go ahead this year.

Therefore there are no immediate changes expected to capital gains tax rates or business asset disposal relief (formerly Entrepreneurs' Relief). Many commentators are suggesting the Spring Budget may also be deferred until the Covid -19 situation is under control, but this is only speculation. Do call your regular HJE contact or email info@hje.uk if you have concerns about any planned transactions which may be affected by future tax rises or if you would like help planning to mitigate against this.

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HJE Healthcare Accountants

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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.