DOCTORS UPDATE

Bishop Fleming

The latest healthcare business and tax news

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Blue Sky Thinking - What a Conservative Government means for you

Having speculated on what rainbow-coloured alliance we would end up with after the general election on 7 May, we now know that blue will be the colour for at least the next five years.

So what can we expect between now and 2020 from this new government?

The Queen's Speech on 27 May made clear the government's intentions to:

- ban income tax, VAT and national insurance increases for five years;
- cut business red tape by at least £10bn by 2020;
- introduce 30 hours free childcare a week for three and four-year-olds by 2017;
- cut the total amount one household can claim in benefits from £26,000 to £23,000;
- ensure people working 30 hours a week on the minimum wage don't pay income tax; and
- hold an EU referendum before the end of 2017.

In addition, the Tory manifesto promised:

- to raise the personal allowance to £12,500 and 40% tax threshold to £50,000 by 2020;
- to create 3m more apprenticeships; and
- to triple the number of start-up loans to businesses to 75,000.

Savers can look forward to a new personal savings allowance from 6 April 2016, allowing basic-rate taxpayers to earn up to £1,000 tax-free interest and higher-rate taxpayers up to £500 tax-free. This will compliment the 0% starting rate on savings income introduced in April 2015, which Labour had pledged to cancel in favour of a 10% starting rate for all income.

The inheritance tax (IHT) threshold will increase from £650,000 per married couple (£325,000 each) to £1m, by granting an extra £175,000 transferrable allowance to each spouse, applying to the main home. This means property worth up to £1m can be passed down to children free of IHT.

Married couples will also still benefit from the marriage allowance which would have been scrapped by Labour. They keep the right to transfer £1,060 of their tax-free income to the spouse.

Pension savers earning more than £150,000 face cuts in tax relief on their pension contributions. This will be done by tapering the annual pension allowance from the present £40,000 to £10,000 once income reaches £210,000. This equates to 50p of allowance lost for every additional £1 of income in a range between £150,000 and £210,000. The Lifetime Allowance is also being cut to £1 million.

The UK continues to enjoy strong economic growth, low inflation and low interest rates ahead of the Chancellor's budget on 8 July. Keep an eye out for our next newsletter for follow up post budget.

If you would like to discuss how we can help you plan ahead, please contact :

Steve Tucker, Healthcare Manager

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NHS Pension Scheme Update

Tiered Contribution rates

Following discussions, the NHS has proposed rates that will apply from 1 April 2015 to 31 March 2019. There are seven tiers with rates as follows:

Tier	Full-time pensionable pay	Contribution rate
1	Up to £15,431.99	5.0%
2	£15,432.00 to £21,477.99	5.6%
3	£21,478.00 to £26,823.99	7.1%
4	£26,824.00 to £47,845.99	9.3%
5	£47,846.00 to £70,630.99	12.5%
6	£70,631.00 to £111,376.99	13.5%
7	£111,377.00 and over	14.5%

The employer contribution rate has increased to 14.3% for all Scheme members from 1 April 2015.

Annual Allowance Pension Savings Statement 2013/14

NHS Pension Agency will be issuing these shortly. Make sure you pass these to your accountant to check for any AA tax charge.

Scheme Pays 2013/14

If you have an AA tax charge exceeding £2,000 for 2013/14 and want to use the NHS scheme pays option, you have until 31 July 2015 to submit your SPE2 form.

Lifetime Allowance – members joining or moving to the 2015 Scheme

As it is a new scheme, HMRC have confirmed that Enhanced Protection (EP), Fixed Protection 2012 (FP12) and Fixed Protection 2014 (FP14) will be lost if a Member joins or moves to the 2015 Scheme and starts paying contributions. There is no effect on Primary Protection or Individual Protection 2014. If you lose one of the Protections, HMRC must be notified within 90 days.

Auto enrolment in the NHS scheme for opted out Members

Cyclical automatic re-enrolment will occur every three years. If this happens on a NHS post, you have one month to opt out again to avoid losing your EP, FP12 and FP14.

Early retirement reduction buy out (ERRBO)

Members of the 2015 Scheme will be able to pay additional contributions to buy out the reduction that would apply if they retired before Normal Pension Age (NPA). The agreement can be for one, two or three years before NPA, but no earlier than age 65.

Type 2 Medical Practitioners

Salaried GPs and other long-term fee based practitioners are required by law to complete an Annual Type 2 superannuation certificate to make sure the relevant tiered contributions are based on their total GP pensionable pay. Failure to pay contributions at the correct rate is a breach of statutory legislation and may affect benefits at retirement.

For further information, please contact:

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GP Seniority Clawbacks

The average superannuable income figures in England for 2011/12 have recently been published. The final figure (after deducting average seniority payments) is £92,034. This is down on the interim figure for 2011/12 of £93,972.

Where a GPs superannuable income is less than 2/3rds the national average i.e. £61,356 for 2011/12, there will be a 40% clawback of 2011/12 seniority payments where the GP had originally received 100% of their 2011/12 seniority entitlement.

If not already done so, GPs should be checking their individual positions to prepare for a potential clawback. If it is clear a clawback will be due, consideration should be given to making a provision in the practice accounts and tax return.

It is particularly important to understand the position of partners who have retired since 2011/12 because clawbacks are taken from the practice, not the individual. If funds have not already been held back for such an eventuality, financial arrangements with retired partners should be discussed as a matter of urgency.

The final average superannuable income figures for 2012/13 are likely to be available in early 2016.

Vehicles - to buy or lease?

We often receive enquiries as to whether it is better to buy or lease a vehicle from a tax perspective. As with many tax queries of this nature the answer is often "it depends"! So what are the main tax drivers affecting this decision for a GP partner?

Let's take a very straightforward example of Dr X considering whether to purchase or lease a fairly modest vehicle e.g. a Ford Kuga (135g/km emissions). The dealer price is £26,900 with expected trade-in value after three years of £16,800. The lease cost is an initial payment of £855 plus 35 monthly rental payments of £285 (both incl. VAT). The VAT registered practice in this example can claim 45% of its general input VAT. Dr X's private usage is 40%.

Each alternative is treated slightly differently from an income tax perspective and whether or not the practice is VAT registered will also have an impact.

Let's first consider the income tax effect of a lease as opposed to a purchase:

- Assuming that the agreement is a genuine rental agreement rather than a form of purchase, then instead of claiming capital allowances on the purchase of a motor vehicle (now 8% or 18% of the car purchase cost) and any finance costs; the actual rental payments will be claimed

- If the car has CO2 emissions exceeding 130g/km, then there is a flat rate disallowance of 15% of the rentals plus any blocked VAT. (This will be all of the VAT if the practice is not registered, or the exempt/non recoverable percentage if the practice is VAT registered)
- Full deduction of maintenance costs can be made if these are shown separately, as can fuel
- However, as with all expenses where there is an element of private usage, the total of the car costs would then be subject to a private mileage restriction whether the car is purchased or leased.

If the practice is VAT registered there are further considerations that impact:

- The payments for the lease would need to be in the name of the practice for any VAT to be recovered

- 50% of the VAT is blocked input VAT and therefore the maximum that can be reclaimed is the remaining 50% of the VAT charged on lease payments. In Dr X's practice only 45% of this VAT can be claimed i.e. 22.5% of the total VAT charged

- Lease cars often have a maintenance agreement available as part of the deal, and provided that this is itemised and supplied separately from the main lease, you can claim all of the input VAT subject to the partial exemption claim (45% in this example).

In this example the VAT registered practice will gain slightly by leasing rather than financing a purchase of a vehicle. It is important to consider the impact in relation to each deal on offer as not all deals will produce the same result.

Example: Lease v Purchase	Buying with cash	Buying with loan at 6% APR	Leasing Non-VAT registered practice	Leasing VAT registered practice
Basic cost over 3 years	£10,100	£10,100	£10,830	£10,830
Loan interest		£930		
VAT recovered				(£406)
Tax saved by 40% taxpayer	(£2,424)	(£2,647)	(£2,209)	(£2,126)
Net cost over 3 years	£7,676	£8,383	£8,621	£8,298

Publication of mean GP net earnings

From April 2015 it is a contractual requirement for GMS practices to publish on their practice websites by 31 March 2016 the mean net earnings of the partners, salaried GPs and any locum who has worked in the practice for over six months.

Alongside the mean figure, practices will be required to publish the number of full and part time GPs in the practice.

If you have any questions on how this might affect your practice, please contact : **Steve Tucker,** Healthcare Manager

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Pension changes will leave NHS Short of GP's, Consultants & Dentists

Healthcare accountants warn that early retirements will hit the NHS.

New changes to pension rules will persuade thousands of NHS GPs, consultants, and dentists to take early retirement – leaving the nation short of these crucial skills.

"Recent changes to pension rules mean that the NHS is likely to lose any doctor or dentist aged more than 50 or 55", said Tim Godfrey, head of Bishop Fleming's healthcare team.

"The recent reduction of the maximum pension pot is a big issue for NHS doctors – including GPs and consultants – and for NHS dentists.

"Now that the permitted ceiling for a pension pot is £1 million, many long-serving doctors and dentists – aged in their 50's – will have reached that ceiling and will now be studying whether it is worth their while to continue working", said Mr Godfrey.

Bishop Fleming has developed a unique calculator that enables NHS doctors and dentists to determine whether it is worth continuing to work – or whether the new tax rules will penalise them for doing so. That calculator is used by Steve Tucker, the firm's dedicated healthcare manager, to provide doctors and dentists with a personalised analysis analysis and further details can be found here.

"I understand why the Government introduced these new pension rules, but everything in life can have unintended consequences. On this occasion, at a time when politicians are on the General Election campaign trail, the danger is that the NHS will see an exit of much-needed experienced GPs, consultants, and dentists", Mr Godfrey predicts.

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