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'Pensions' Special edition

If the cap fits...

From 6 April 2016 the cap on lifetime allowance tax-free pension savings (NHS plus any private) was reduced from £1.25m to £1m.

Transitional protection for pension rights in excess of £1m is available to ensure the change is not retrospective. The lifetime allowance will be indexed annually in line with the consumer prices index (CPI) from 6 April 2018. This change to the allowance will put most full-time GPs in line for a hefty tax bill when they retire.

The new cap means the standard calculation of the maximum tax free lump sum GPs can take on retirement from the 1995 scheme has been reduced from £163,043 to £130,435, and the maximum they will be able draw as an annual pension before lifetime allowance tax charges hit falls from £54,348 to £43,478. For example, a GP with £1.5m accrued benefits for calculating the lifetime allowance with no transitional protection would face a lifetime allowance tax charge of £35,870 on the lump sum.

GPs should check the value of their schemes. Those who already have, or will shortly have a £1m pension pot may have a few options and should urgently speak with an independent financial adviser.

Pension Annual Allowance struck by tapering

The amount of tax-relief an individual can receive on pension savings each year is restricted by an 'annual allowance'. For the majority of earners, the savings figure is £40,000, plus any unused allowance from the previous three tax years.



However, for those with income that will exceed £110,000 during the 2016/17 tax year, they must then calculate their 'adjusted income' as defined by tax legislation, which amongst other things brings into play the value of pension savings, including savings arising from employer contributions.

The annual allowance for those with an 'adjusted income' above £150,000 will then be reduced on a tapering basis so that it reduces from £40,000 to £10,000 for those with adjusted income above £210,000. For every £2 of adjusted income above £150,000, an individual's annual allowance will reduce by £1.

Where adjusted income exceeds £210,000, tapering will stop to leave a reduced annual allowance of £10,000.

Clarification is being sought as to how the tax legislation should be interpreted for GPs who pay their employer contributions out of their own income.

Public service pension scheme discount hits GP cash flows

In the last Budget, the Treasury announced plans to reduce the public service pension scheme discount rate, which is expected to increase employer contributions to unfunded public service pension schemes by £2bn from 2019/20.

This means GPs will have to pay higher contributions for their staff. Some commentators are expecting an extra 1% on GP wage bills. Figures are expected to be released in 2018, meaning practices will have little time to plan, increasing the difficulty of managing cash flows before the changes come into force in 2019/20.

For further information, please contact

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CQC fees increase

The CQC has chosen to bring its six-fold fee increase in over just two years (rather than the expected four), meaning practices will have to pay approximately £2,000 more.

The changes are as a result of the Treasury cutting its grant to the CQC which will have to fund the cost of inspections through fees. Practices will be given a 3.2% funding uplift, which incorporates the increase in CQC fees. It is expected that by 2017/18, fees will have increased by more than six-fold for all practices, with even the smallest practices paying more than £4,000 a year.

The fees for a practice working from one location only are detailed below:

Number of registered patients	2015/16 fee	2016/17 fee	2017/18 fee
Up to 5,000	£616	£2,187	£4,111
5,001 to 10,000	£725	£2,574	£4,839
10,001 to 15,000	£839	£2,978	£5,599
More than 15,000	£948	£3,365	£6,327

Clawing back on GP Seniority

Seniority payments continue to be phased out with the seniority scheme itself ending on 31 March 2020. In the meantime GPs should continue to check their individual positions for potential clawbacks.

The average superannuable income figures in England for 2012/13 have recently been published. The final figure (after deducting average seniority payments) is £91,050. This is down on the interim figure for 2012/13 of £96,646.

Where a GPs superannuable income is less than 2/3rds the national average (£60,700 for 2012/13), there will be a 40% clawback of 2012/13 seniority payments where the GP had originally received 100% of

their 2012/13 seniority entitlement. 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 2012/13 because clawbacks are taken from the practice, not the individual. If funds have not already been reserved for such an eventuality, financial arrangements with retired partners should be discussed as a matter of urgency.

For more information please contact

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In brief

Key aspects of the 2016/17 GP contract

The 2016/17 GP contract negotiations will give GPs a 1% pay uplift and reimbursement to meet rising costs. Other key outcomes from the negotiations with NHS Employers include:

- £220m extra investment into the GP contract
- A pledge to reduce red tape and to manage the demand on GP services
- The vaccination and immunisation item of service fees to rise from £7.64 to £9.80
- A transfer to core funding of dementia resources

There are new requirements for GPs to record the availability of evenings and weekends for routine appointments, and to record instances where a practice pays a locum doctor more than an indicative maximum rate, as set out by NHS England

Reminder: Have you published your average net earnings?

By 31 March 2016, GP practices were required to publish on their website, the average net earnings from the 2014/15 financial year for all full-time, part-time and locum GPs who worked in the practice for over 6 months.

Spring Budget 2016 - key measures

The recent Budget didn't bring much real significant change to the sector. However, if you would like a free, easy to read, summary of the changes, please visit: www.bishopfleming.co.uk/budget-2016



Is your practice missing out on flu campaign cash?

Practices should check they have been paid by the NHS for the government's winter 2014 flu campaign.

Although claims for the vaccines were submitted by practices, it has become apparent that due to an NHS system error, not every claim has been paid.

Steve Tucker, healthcare specialist commented 'It has come to my attention that significant payments had been missed by the NHS when paying practices for the winter 2014 flu campaign. My suspicions were heightened when, during an analytical review of a client's accounts, the usual spikes in drug income reimbursement were not evident in late 2014/early 2015. Practice managers are under increasing amounts of pressure and so it is not surprising that such payments can occasionally be missed.

'We are now seeing a number of our clients receiving significant catch-up payments to correct this oversight by the NHS.'

For further information or advice please contact **Steve Tucker**, Senior Manager and GP specialist
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If you require specialist accounting advice, we offer a free, no-obligation initial meeting to discuss your needs and how we can assist. For further information, please contact

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New accounting solutions package launched for GPs

Following considerable research to ensure we are recommending the best possible software to our GP clients, we have launched a new accounting solutions package.

The new cloud-based package is designed to take away the pain of accounting and compliance for our GP clients and includes an unbeatable host of essential features including:

- Subscription and assistance with set up on Xero
- Access to your own dedicated business adviser
- Regular management reporting
- VAT returns (if applicable)
- Annual accounts
- Partnership tax return
- Personal tax return for the practice principals
- Superannuation certificates
- Additional extras available, visit: www.bfaccountingsolutions.co.uk

Bishop Fleming Accounting Solutions and GP specialist, Steve Boxwell says: "We have seen the tangible benefits our clients reap through embracing the latest technology, which will no doubt future-proof them against the government's forthcoming digital tax revolution. The functionality, efficiency and flexibility of our accounting solution package works extremely well for our GP clients."

For more information about accounting solutions for GP's please contact

Steve Boxwell, Executive, GP and Accounting Solutions Specialist

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