

## Other Considerations

### National insurance contributions (NICs)

Individuals who have more than one source of income must pay NICs on both forms of income. The total amount of NICs payable by an individual is subject to an annual cap, but in reality many practitioners actually overpay NICs. In such instances, the overpayments may be reclaimed.

### Entering into a partnership

If you are considering entering into a partnership, it is important to fully scrutinise the terms of the partnership agreement, which exists to help ensure that each partner is protected financially and sets in place rules governing the appointment, retirement and suspension of partners, and reduces the likelihood of disputes. You should also make sure that you have a clear understanding of the accounts and the profit sharing arrangements on offer.

### Managing your practice

As well as dealing with your tax and compliance obligations, you will also need to make effective business decisions for your practice. Some of the areas where you may need professional assistance include:

- ✕ Buying or setting up a new practice
- ✕ Buying or disposing of property
- ✕ Choosing a tax-efficient legal structure
- ✕ Effective budgeting and cash flow planning
- ✕ Practice mergers
- ✕ Calculating profit allocations
- ✕ Claiming expenses and deductions
- ✕ Developing your practice
- ✕ Raising finance
- ✕ Practice valuations
- ✕ Succession planning and exiting your practice
- ✕ Calculating Superannuation deductions
- ✕ Tax-efficient personal planning
- ✕ Retirement and pension planning.

**Please contact us for further advice tailored to the medical sector. We would be delighted to assist you.**

## Our Services

### Business Planning

- ✕ Business start-up planning and advice
- ✕ Strategic and business planning
- ✕ Financial management
- ✕ Computer and financial systems advice

### Taxation Advice

- ✕ Self-assessment
- ✕ Personal tax
- ✕ Business tax
- ✕ Company tax
- ✕ Capital gains tax
- ✕ Inheritance tax
- ✕ HM Revenue and Customs enquiries
- ✕ Value Added Tax
- ✕ PAYE and national insurance compliance
- ✕ Preparing for Making Tax Digital

### Accounting

- ✕ Preparation of annual accounts
- ✕ Preparation of periodic management accounts
- ✕ Providing book-keeping services
- ✕ Maintaining PAYE and VAT records and associated returns

### Company Secretarial

- ✕ Preparation and filing of statutory returns
- ✕ Preparation of minutes and resolutions
- ✕ Company formation
- ✕ Company searches

*This guide is for general information only. No responsibility is taken for any action taken or refrained from in consequence of its contents. Always seek professional advice before acting.*

**Please contact us for further information.**

### Makesworth Accountants

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2018/19  
GUIDE TO...

# The Medical Sector



**MAKESWORTH ACCOUNTANTS**  
HELPING YOU GROW

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The medical profession faces a range of industry-specific tax and accounting issues, and it is essential to have in place robust systems for effectively managing your personal finances and your practice.

## Accounting and record-keeping

Medical professionals, including salaried GPs, GP practices, consultants and hospital doctors, are subject to a host of different tax and accounting obligations.

Many practitioners will have more than one source of income, including income from private practice and an NHS salary, and will need to account for this via a self assessment tax return. Some practitioners may also need to make payments on account. In addition, those choosing to operate under a limited company must prepare annual company accounts and corporation tax returns.

It is also essential to keep adequate financial records and to have appropriate financial controls in place. We can help with all aspects of accounting, record-keeping and financial planning.

## A tax-efficient structure

It is important to consider the most tax-efficient business structure for your needs (including sole trader, partnership or limited company). Depending on how you decide to operate, you might receive payments through an employer or agency, through an umbrella company, as a self-employed contractor, or via your own limited company (known as a 'personal service company'). Each option has its advantages and disadvantages:

- ☒ **Receiving a salary via PAYE** – this can be a relatively straightforward method, which offers some additional benefits such as employment rights, but may pay lower rates of salary and can be less tax-efficient than some other options
- ☒ **Using an umbrella company** – this option can reduce the administrative burden, as the company will normally deal with invoicing, calculating the tax due and ensuring compliance with all statutory requirements
- ☒ **Becoming self-employed** – this offers the ability to offset business expenses against trading profits. You will need to register with HMRC and complete a self assessment tax return
- ☒ **Working through your own limited company** – this can offer a number of tax and national insurance efficiencies, although it is important to be aware of the 'IR35' regulations which govern personal service companies

Medical professionals can claim a number of business expenses to offset against trading profits. An expense is classed as tax-deductible if it is incurred 'wholly and exclusively' for the purposes of a trade or profession. The rules governing expenses are more restrictive for salaried doctors than for self-employed consultants and GP principals as expenses must also be 'necessarily' incurred.

## Professional fees and subscriptions

Annual subscriptions to professional bodies and learned societies, as approved by HMRC, are one key area where tax may be reclaimed. For a self-employed individual, the subscription must be paid by the individual or by their partnership on their behalf and the activities of the organisation must be directly relevant to the individual's employment. For salaried individuals, where the employer pays the cost, the employer will receive the tax relief.

## Working from a home office

If your practice work includes an element of homeworking, you may be able to claim a deduction, either in the form of a fixed regular amount or a percentage of the cost of running your home.

## Motoring costs

It may be possible to claim back a range of motoring expenses. This is subject to the 'wholly and exclusively' rule and applies only to the business element of any expenses incurred. Salaried individuals can claim business mileage expenses using the fixed HMRC mileage rates of 45p a mile for the first 10,000 miles, and 25p a mile thereafter. In some cases it may be possible to keep a record of your business mileage and claim back the business use percentage. In this case, you may also be able to make a claim for capital allowances, based on the list price and CO<sub>2</sub> emissions of the vehicle.

## Course fees

Again, if incurred exclusively in the performance of professional duties, it may be possible for employees to claim back the cost of course fees. However, if the course results in additional qualifications or specialist work, it may be deemed to be capital and may not qualify for the deduction.

## Medical equipment

Salaried individuals may be able to claim back the cost of medical equipment, if purchased in line with the 'wholly, exclusively and necessary' rule.

Retirement planning is not something that should be left until a few years before you are due to retire – in fact, it's never too early to begin!

Many medical practitioners, including GPs, are part of the NHS Superannuation scheme. In addition, some also choose to make 'Added Years' Additional Voluntary Contributions (AVCs), or make other alternative arrangements such as a separate personal pension plan or Self Invested Personal Pension (SIPP).

## Superannuation

Medical practitioners who are part of the NHS Superannuation scheme are required to complete an annual Superannuation Certificate. This is a complex area and it is essential to get the calculations right, as any mistakes could affect your income in retirement.

## The annual allowance

The pensions annual allowance dictates the maximum amount by which an individual's personal pension savings can increase without affecting their tax liability. The annual allowance for 2018/19 is £40,000, but this is tapered for individuals who have both income over £110,000 and adjusted annual income (their income plus their own and employer's pension contributions) over £150,000. For every £2 of adjusted income over £150,000, an individual's annual allowance will be reduced by £1, down to a minimum of £10,000. A £4,000 limit may apply where money purchase pensions are accessed.

In some circumstances it may be possible for the charge to be recovered by an adjustment to policy benefits (known as a scheme pay election).

## The lifetime allowance

The pensions lifetime allowance dictates the maximum amount that an individual can save into their total pension savings and still benefit from tax relief at their marginal rate. For 2018/19, the lifetime allowance has increased to £1,030,000. Where pension savings exceed the limit, tax is charged on the excess when the pension is drawn.

It is important to plan ahead in order to maximise your pension savings and minimise your tax liability. This is where we can help – please contact us for advice.