

# Focus on the new tax brackets and other financial considerations

June 2010

This note has been produced by the General Practitioners Committee (GPC), a branch of practice committee of the British Medical Association (BMA), to highlight the effects of the tax changes which will affect doctors earning over £100,000, and other financial considerations arising as a result. It should be noted that this note is not comprehensive; members should consider their own case in the light of their personal circumstances and **take advice where necessary from an accountant**.

In particular, the reader's attention is drawn to the Mazars LLP letter report of 3 June 2010 and the General Practitioners Defence Fund Limited (GPDF) disclaimer of 15 June 2010, both of which are integral to a proper understanding of this paper and of its accompanying schedules identified as A to E, which are presented for illustrative purposes only.

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## Background

The Finance Act 2009 introduced significant changes affecting those earning over £100,000, which came into effect on 6 April 2010. Changes include:

- a new additional rate of income tax of 50% on total income (including all income, not just wages, salaries and profits) over £150,000;
- the gradual withdrawal of the personal allowance for those whose adjusted net income exceeds £100,000. The personal allowance will be reduced by £1 for every £2 of income in excess of the £100,000 threshold. No personal allowance will be available where taxable income exceeds £112,950 (see Table 1 below).

**Table 1**

<b>Taxable income</b>	<b>Effective average rate of income tax on taxable income above £100k</b>
£112,950	60.00%
£120,000	52.95%
£130,000	48.63%
£140,000	46.47%

Further changes will come into effect in 2011/12:

- National Insurance contributions will be increased (confirmed in the November 2009 pre-budget report);
- tax relief will be restricted on pension contributions for individuals with a taxable income in excess of £130k –
  - the relief will be tapered from 50% to 20% for those with a taxable income of >£180k;
  - the basis of such tapering is awaiting Treasury consultations;
  - transitional legislation has been introduced to restrict tax relief for those with taxable income (net adjusted pay) of >£130k to the 2009/10 and 2010/11 tax years. The purpose of this legislation is to prevent individuals making increased payments in advance of 2011/12 in order to avoid the restrictions on tax relief.

## **Advice on the effects of the taxation changes**

GP partners should be aware that superannuation contributions step up a whole percentage point when superannuable profits reach £100k. In addition, personal allowances (from 2010/11) are reduced to those earning a taxable income of £100k or over (and again at £140k), with proposed income tax rate hikes at the £150k level (from 2011/12). These changes merit careful financial advice from the practice accountant when individuals are closely approaching incomes in this range.

The loss of personal allowance and the step change in superannuation payments means that those earning around £100-110k will be hit particularly badly by the changes. An alternative to paying such high marginal rates of tax could be for partners to improve their work-life balance by reshaping their commitment to their practice by reducing their income and time commitment to their practices. Taking on a new GP partner is one way in which this could be achieved, and may well prove to be more cost effective than employing a salaried GP. As a rough rule of thumb, the true cost of taking on a salaried GP could be up to 40% on top of the actual salary (including items such as employers National Insurance, employers pension contributions, subscriptions and other items as illustrated in the attached **schedule A**, although this will vary from practice to practice).

The effect of tax changes makes it more worthwhile not working full-time, allowing more time for family commitments, training or taking on additional professional roles such as Practice Based Commissioning and areas of special interest (GPwSI). In part time posts, there is a balance between the amount of time spent on core patient contact and working within the practice, and the ability to carry out additional activities. However, this must of course not be detrimental to the patients and must be balanced by the need to maintain someone in the surgery for the sake of continuity.

## **How recent tax proposals could affect income**

Also attached are four spreadsheets (identified as **schedules B to E**) which illustrate how the recent tax proposals could affect income over the years 2009-2012. Headline increases in tax rates have been avoided by a rise in National Insurance, which could hit the self employed, including GPs, very badly indeed.

These spreadsheets do not include the impact of the withdrawal of tax relief on pensions. If the worst case scenario comes to pass it is quite possible that take home pay for practices earning above £130K could drop by £1-2k per month as the result of tax relief withdrawal.

## **Impact of changes to tax relief on pension contributions**

There is considerable uncertainty about tax relief on pension contributions. Following the introduction of a new additional rate of income tax of 50%, applying to taxable income over £150,000, the Chancellor announced that from 6 April 2011, tax relief on pension contributions for high earners will be restricted.

There is further information about this in the BMA guidance, *Impact of the 2009 budget on pensions*:

[www.bma.org.uk/employmentandcontracts/pensions/general\\_pensions\\_information/impbudg09pens.jsp](http://www.bma.org.uk/employmentandcontracts/pensions/general_pensions_information/impbudg09pens.jsp)

## **Advice on the effects of the National Insurance alterations**

*Deferment of Class 1 NI contributions – Where the doctor is both employed and self-employed*

Where a doctor is both employed and self-employed, HMRC may make special arrangements to avoid excessive contributions being paid in the tax year. HMRC must be satisfied that the total amount of Class 1 NI contributions which are likely to be paid by the doctor, together with any Class 4 NI, will exceed the maximum Class 1 and Class 2 amounts payable for that year.

The doctor will need to apply for the deferment certificate and will be responsible for paying across to HMRC any shortfall, should insufficient NI be paid during the year concerned. It will be in doctors' own best interests to seek appropriate advice in relation to this and other matters described in this note.

Further information on tax and national insurance is available to BMA members on the BMA website: [www.bma.org.uk/employmentandcontracts/tax/index.jsp](http://www.bma.org.uk/employmentandcontracts/tax/index.jsp)

Schedule A

Illustration of true cost for a practice of taking on a salaried GP

Gross annual Salary	Employer NI Threshold	Employer NIC able	Employer NI Cont rate*	Employer NI	Employer Pension contribution rate*	Employer Pension contribution	GMC subs**	MDO subs**	Locum costs for sickness @ £500/day***	TOTAL Employment costs	Gross costs as % of salary
£40,000	£5,720	£34,280	12.8%	£4,388	14.0%	£5,600	£410	£4,925	£3,500	£58,823	147.1
£42,000	£5,720	£36,280	12.8%	£4,644	14.0%	£5,880	£410	£4,925	£3,500	£61,359	146.1
£44,000	£5,720	£38,280	12.8%	£4,900	14.0%	£6,160	£410	£4,925	£3,500	£63,895	145.2
£46,000	£5,720	£40,280	12.8%	£5,156	14.0%	£6,440	£410	£4,925	£3,500	£66,431	144.4
£48,000	£5,720	£42,280	12.8%	£5,412	14.0%	£6,720	£410	£4,925	£3,500	£68,967	143.7
£50,000	£5,720	£44,280	12.8%	£5,668	14.0%	£7,000	£410	£4,925	£3,500	£71,503	143.0
£52,000	£5,720	£46,280	12.8%	£5,924	14.0%	£7,280	£410	£4,925	£3,500	£74,039	142.4
£54,000	£5,720	£48,280	12.8%	£6,180	14.0%	£7,560	£410	£4,925	£3,500	£76,575	141.8
£56,000	£5,720	£50,280	12.8%	£6,436	14.0%	£7,840	£410	£4,925	£3,500	£79,111	141.3
£58,000	£5,720	£52,280	12.8%	£6,692	14.0%	£8,120	£410	£4,925	£3,500	£81,647	140.8
£60,000	£5,720	£54,280	12.8%	£6,948	14.0%	£8,400	£410	£4,925	£3,500	£84,183	140.3
£62,000	£5,720	£56,280	12.8%	£7,204	14.0%	£8,680	£410	£4,925	£3,500	£86,719	139.9
£64,000	£5,720	£58,280	12.8%	£7,460	14.0%	£8,960	£410	£4,925	£3,500	£89,255	139.5
£66,000	£5,720	£60,280	12.8%	£7,716	14.0%	£9,240	£410	£4,925	£3,500	£91,791	139.1
£68,000	£5,720	£62,280	12.8%	£7,972	14.0%	£9,520	£410	£4,925	£3,500	£94,327	138.7
£70,000	£5,720	£64,280	12.8%	£8,228	14.0%	£9,800	£410	£4,925	£3,500	£96,863	138.4
£72,000	£5,720	£66,280	12.8%	£8,484	14.0%	£10,080	£410	£4,925	£3,500	£100,239	139.2
£74,000	£5,720	£68,280	12.8%	£8,740	14.0%	£10,360	£410	£4,925	£3,500	£101,935	137.7
£76,000	£5,720	£70,280	12.8%	£8,996	14.0%	£10,640	£410	£4,925	£3,500	£104,471	137.5
£78,000	£5,720	£72,280	12.8%	£9,252	14.0%	£10,920	£410	£4,925	£3,500	£107,007	137.2
£80,000	£5,720	£74,280	12.8%	£9,508	14.0%	£11,200	£410	£4,925	£3,500	£109,543	136.9
£82,000	£5,720	£76,280	12.8%	£9,764	14.0%	£11,480	£410	£4,925	£3,500	£112,079	136.7
£84,000	£5,720	£78,280	12.8%	£10,020	14.0%	£11,760	£410	£4,925	£3,500	£114,615	136.4
£86,000	£5,720	£80,280	12.8%	£10,276	14.0%	£12,040	£410	£4,925	£3,500	£117,151	136.2
£88,000	£5,720	£82,280	12.8%	£10,532	14.0%	£12,320	£410	£4,925	£3,500	£119,687	136.0
£90,000	£5,720	£84,280	12.8%	£10,788	14.0%	£12,600	£410	£4,925	£3,500	£122,223	135.8
£100,000	£5,720	£94,280	12.8%	£12,068	14.0%	£14,000	£410	£4,925	£3,500	£134,903	134.9
£110,000	£5,720	£104,280	12.8%	£13,348	14.0%	£15,400	£410	£4,925	£3,500	£147,583	134.2
£120,000	£5,720	£114,280	12.8%	£14,628	14.0%	£16,800	£410	£4,925	£3,500	£160,263	133.6

**Notes**  
 \* These figures were correct in April 2010.  
 \*\*Not all practices pay GMC or MDO (Medical Defence Organisation) subscriptions. The MDO figure is an average between the larger MDOs in April 2010.  
 \*\*\*Based on average sick leave ~7 days/year – CBI/AXA Annual Absence Survey (2008) <http://www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc7/90ab71d2f4d981da8025744200523b87?OpenDocument>

# For Illustration Only

# Schedule B

Practice profit Share	Annual take home 2009-2010	Annual Take home 2010-2011	Annual Take home 2011-2012
£65,000.00	£39,493.91	£39,493.91	£38,970.56
£70,000.00	£41,958.38	£41,958.38	£41,385.03
£75,000.00	£44,422.86	£44,422.86	£43,444.24
£80,000.00	£46,887.33	£46,887.33	£45,835.03
£85,000.00	£49,351.80	£49,351.80	£48,225.82
£90,000.00	£51,389.96	£51,389.96	£50,616.61
£95,000.00	£53,830.75	£53,830.75	£53,007.40
£100,000.00	£56,271.54	£56,271.54	£55,398.19
£105,000.00	£58,712.33	£58,712.33	£57,788.98
£110,000.00	£61,153.12	£61,153.12	£60,179.77
£115,000.00	£63,593.91	£63,593.91	£62,570.56
£120,000.00	£66,034.70	£66,034.70	£64,961.35
£125,000.00	£68,475.49	£67,718.91	£67,352.14
£130,000.00	£70,916.28	£69,329.43	£68,156.08
£135,000.00	£73,357.07	£70,939.96	£69,716.61
£140,000.00	£75,134.70	£72,544.70	£71,271.35
£145,000.00	£77,551.80	£74,961.80	£73,638.45
£150,000.00	£79,968.91	£77,378.91	£76,005.56
£155,000.00	£82,386.01	£79,796.01	£78,372.66
£160,000.00	£84,803.12	£82,213.12	£80,739.77
£165,000.00	£87,220.22	£84,630.22	£83,106.87
£170,000.00	£89,637.33	£87,047.33	£85,473.98
£175,000.00	£92,054.43	£89,464.43	£87,841.08
£180,000.00	£94,471.54	£91,881.54	£90,208.19
£185,000.00	£96,888.64	£94,298.64	£92,361.48
£190,000.00	£99,305.75	£96,090.75	£94,317.40
£195,000.00	£101,722.86	£98,096.67	£96,273.32
£200,000.00	£104,139.96	£100,102.59	£98,229.24

**Notes:**

The calculations are based on the standard personal tax allowance. Members may be entitled to higher allowances or have allowance restrictions depending on their personal circumstances.

All calculations are based on profits earned for the tax year in question. Different loss reliefs for prior years may be available for tax and National Insurance purposes.

All rates, allowances and thresholds are based on the currently available information. Rates are subject to change resulting from budgets and changes in legislation.

**GPDF cannot be held responsible for any losses arising as a result of any actions taken based on the information contained within this spreadsheet and we recommend that you seek professional guidance when considering your tax affairs.**

# Schedule C

## For Illustration Only

Practice profit Share	NHS Superannable discount	NHS Superannable quantum	NHS Pensionable income	NHS pension contributions	Total Superann %	Superann Deductions	NI Class 2 2.40 pw	NI class 4 @ 8% 8% between 5715 and 43875	NI Class 4 1% over 43875	Total NI deduc	Gross taxable income A minus H	Personal allowance	Net taxable income M minus N	Tax 20% to 37400	Annual take home A-H- P-L	Monthly take home	% take home to	
2009-2010																		
				"Employee"														
				to 68392	6.50%													
				68392 to 107846	7.50%													
				107846	8.50%													
				"Employers" 14%														
£65,000.00	10.00%	£6,500.00	£51,315.79	14.00%	6.50%	20.50%	£10,519.74	£124.80	£3,053.00	£211.25	£3,264.25	£54,480.26	£6,475.00	£48,005.26	£11,722.11	£39,493.91	£3,291.16	60.76%
£70,000.00	10.00%	£7,000.00	£55,263.16	14.00%	6.50%	20.50%	£11,328.95	£124.80	£3,053.00	£261.25	£3,314.25	£58,671.05	£6,475.00	£52,196.05	£13,398.42	£41,958.38	£3,496.53	59.94%
£75,000.00	10.00%	£7,500.00	£59,210.53	14.00%	6.50%	20.50%	£12,138.16	£124.80	£3,053.00	£311.25	£3,364.25	£62,861.84	£6,475.00	£56,386.84	£15,074.74	£44,422.86	£3,701.90	59.23%
£80,000.00	10.00%	£8,000.00	£63,157.89	14.00%	6.50%	20.50%	£12,947.37	£124.80	£3,053.00	£361.25	£3,414.25	£67,052.63	£6,475.00	£60,577.63	£16,751.05	£46,887.33	£3,907.28	58.61%
£85,000.00	10.00%	£8,500.00	£67,105.26	14.00%	6.50%	20.50%	£13,756.58	£124.80	£3,053.00	£411.25	£3,464.25	£71,243.42	£6,475.00	£64,768.42	£18,427.37	£49,351.80	£4,112.65	58.06%
£90,000.00	10.00%	£9,000.00	£71,052.63	14.00%	7.50%	21.50%	£15,276.32	£124.80	£3,053.00	£461.25	£3,514.25	£74,723.68	£6,475.00	£68,248.68	£19,819.47	£51,389.96	£4,282.50	57.10%
£95,000.00	10.00%	£9,500.00	£75,000.00	14.00%	7.50%	21.50%	£16,125.00	£124.80	£3,053.00	£511.25	£3,564.25	£78,875.00	£6,475.00	£72,400.00	£21,480.00	£53,830.75	£4,485.90	56.66%
£100,000.00	10.00%	£10,000.00	£78,947.37	14.00%	7.50%	21.50%	£16,973.68	£124.80	£3,053.00	£561.25	£3,614.25	£83,026.32	£6,475.00	£76,551.32	£23,140.53	£56,271.54	£4,689.29	56.27%
£105,000.00	10.00%	£10,500.00	£82,894.74	14.00%	7.50%	21.50%	£17,822.37	£124.80	£3,053.00	£611.25	£3,664.25	£87,177.63	£6,475.00	£80,702.63	£24,801.05	£58,712.33	£4,892.69	55.92%
£110,000.00	10.00%	£11,000.00	£86,842.11	14.00%	7.50%	21.50%	£18,671.05	£124.80	£3,053.00	£661.25	£3,714.25	£91,328.95	£6,475.00	£84,853.95	£26,461.58	£61,153.12	£5,096.09	55.59%
£115,000.00	10.00%	£11,500.00	£90,789.47	14.00%	7.50%	21.50%	£19,519.74	£124.80	£3,053.00	£711.25	£3,764.25	£95,480.26	£6,475.00	£89,005.26	£28,122.11	£63,593.91	£5,299.49	55.30%
£120,000.00	10.00%	£12,000.00	£94,736.84	14.00%	7.50%	21.50%	£20,368.42	£124.80	£3,053.00	£761.25	£3,814.25	£99,631.58	£6,475.00	£93,156.58	£29,782.63	£66,034.70	£5,502.89	55.03%
£125,000.00	10.00%	£12,500.00	£98,684.21	14.00%	7.50%	21.50%	£21,217.11	£124.80	£3,053.00	£811.25	£3,864.25	£103,782.89	£6,475.00	£97,307.89	£31,443.16	£68,475.49	£5,706.29	54.78%
£130,000.00	10.00%	£13,000.00	£102,631.58	14.00%	7.50%	21.50%	£22,065.79	£124.80	£3,053.00	£861.25	£3,914.25	£107,934.21	£6,475.00	£101,459.21	£33,103.68	£70,916.28	£5,909.69	54.55%
£135,000.00	10.00%	£13,500.00	£106,578.95	14.00%	7.50%	21.50%	£22,914.47	£124.80	£3,053.00	£911.25	£3,964.25	£112,085.53	£6,475.00	£105,610.53	£34,764.21	£73,357.07	£6,113.09	54.34%
£140,000.00	10.00%	£14,000.00	£110,526.32	14.00%	8.50%	22.50%	£24,868.42	£124.80	£3,053.00	£961.25	£4,014.25	£115,131.58	£6,475.00	£108,656.58	£35,982.63	£75,134.70	£6,261.22	53.67%
£145,000.00	10.00%	£14,500.00	£114,473.68	14.00%	8.50%	22.50%	£25,756.58	£124.80	£3,053.00	£1,011.25	£4,064.25	£119,243.42	£6,475.00	£112,768.42	£37,627.37	£77,551.80	£6,462.65	53.48%
£150,000.00	10.00%	£15,000.00	£118,421.05	14.00%	8.50%	22.50%	£26,644.74	£124.80	£3,053.00	£1,061.25	£4,114.25	£123,355.26	£6,475.00	£116,880.26	£39,272.11	£79,968.91	£6,664.08	53.31%
£155,000.00	10.00%	£15,500.00	£122,368.42	14.00%	8.50%	22.50%	£27,532.89	£124.80	£3,053.00	£1,111.25	£4,164.25	£127,467.11	£6,475.00	£120,992.11	£40,916.84	£82,386.01	£6,865.50	53.15%
£160,000.00	10.00%	£16,000.00	£126,315.79	14.00%	8.50%	22.50%	£28,421.05	£124.80	£3,053.00	£1,161.25	£4,214.25	£131,578.95	£6,475.00	£125,103.95	£42,561.58	£84,803.12	£7,068.93	53.00%
£165,000.00	10.00%	£16,500.00	£130,263.16	14.00%	8.50%	22.50%	£29,309.21	£124.80	£3,053.00	£1,211.25	£4,264.25	£135,690.79	£6,475.00	£129,215.79	£44,206.32	£87,220.22	£7,268.35	52.86%
£170,000.00	10.00%	£17,000.00	£134,210.53	14.00%	8.50%	22.50%	£30,197.37	£124.80	£3,053.00	£1,261.25	£4,314.25	£139,802.63	£6,475.00	£133,327.63	£45,851.05	£89,637.33	£7,469.78	52.73%
£175,000.00	10.00%	£17,500.00	£138,157.89	14.00%	8.50%	22.50%	£31,085.53	£124.80	£3,053.00	£1,311.25	£4,364.25	£143,914.47	£6,475.00	£137,439.47	£47,495.79	£92,054.43	£7,671.20	52.60%
£180,000.00	10.00%	£18,000.00	£142,105.26	14.00%	8.50%	22.50%	£31,973.68	£124.80	£3,053.00	£1,361.25	£4,414.25	£148,026.32	£6,475.00	£141,551.32	£49,140.53	£94,471.54	£7,872.63	52.48%
£185,000.00	10.00%	£18,500.00	£146,052.63	14.00%	8.50%	22.50%	£32,861.84	£124.80	£3,053.00	£1,411.25	£4,464.25	£152,138.16	£6,475.00	£145,663.16	£50,785.26	£96,888.64	£8,074.05	52.37%
£190,000.00	10.00%	£19,000.00	£150,000.00	14.00%	8.50%	22.50%	£33,750.00	£124.80	£3,053.00	£1,461.25	£4,514.25	£156,250.00	£6,475.00	£149,775.00	£52,430.00	£99,305.75	£8,275.48	52.27%
£195,000.00	10.00%	£19,500.00	£153,947.37	14.00%	8.50%	22.50%	£34,638.16	£124.80	£3,053.00	£1,511.25	£4,564.25	£160,361.84	£6,475.00	£153,886.84	£54,074.74	£101,722.86	£8,476.90	52.17%
£200,000.00	10.00%	£20,000.00	£157,894.74	14.00%	8.50%	22.50%	£35,526.32	£124.80	£3,053.00	£1,561.25	£4,614.25	£164,473.68	£6,475.00	£157,998.68	£55,719.47	£104,139.96	£8,678.33	52.07%

**Notes:**  
 The calculations are based on the standard personal tax allowance. Members may be entitled to higher allowances or have allowance restrictions depending on their personal circumstances.  
 All calculations are based on profits earned for the tax year in question. Different loss reliefs for prior years may be available for tax and National Insurance purposes.  
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# For Illustration Only

# Schedule D

Practice profit Share	NHS Superannable discount	NHS Superannable quantum	NHS Pensionable income	NHS pension contributions	Total Superann %	Superann Deductions	NI Class 2 2.40 pw	NI class 4 @ 8% 8% between 5715 and 43875	NI Class 4 1% over 43875	Total NI deductions	Gross taxable income A minus H	Personal allowance 6475 to 100K After 100K reduces By 1 for 2 earned above 112950 NO personal allowance	Net taxable income M minus N	Tax 20% to 37400 40% to 149999 50% ovr 150 K Total tax to 37400 is 7480 total tax at 40% is 45040	Annual take home A-H- P-L	Monthly take home	% take home to	
2010-2011				"Employee" to 68392 6.50% 68392 to 107846 7.50% 107846 8.50%									personal allowance					
£65,000.00	10.00%	£6,500.00	£51,315.79	14.00%	6.50%	20.50%	£10,519.74	£124.80	£3,053.00	£211.25	£3,264.25	£54,480.26	£6,475.00	£48,005.26	£11,722.11	£39,493.91	£3,291.16	60.76%
£70,000.00	10.00%	£7,000.00	£55,263.16	14.00%	6.50%	20.50%	£11,328.95	£124.80	£3,053.00	£261.25	£3,314.25	£58,671.05	£6,475.00	£52,196.05	£13,398.42	£41,958.38	£3,496.53	59.94%
£75,000.00	10.00%	£7,500.00	£59,210.53	14.00%	6.50%	20.50%	£12,138.16	£124.80	£3,053.00	£311.25	£3,364.25	£62,861.84	£6,475.00	£56,386.84	£15,074.74	£44,422.86	£3,701.90	59.23%
£80,000.00	10.00%	£8,000.00	£63,157.89	14.00%	6.50%	20.50%	£12,947.37	£124.80	£3,053.00	£361.25	£3,414.25	£67,052.63	£6,475.00	£60,577.63	£16,751.05	£46,887.33	£3,907.28	58.61%
£85,000.00	10.00%	£8,500.00	£67,105.26	14.00%	6.50%	20.50%	£13,756.58	£124.80	£3,053.00	£411.25	£3,464.25	£71,243.42	£6,475.00	£64,768.42	£18,427.37	£49,351.80	£4,112.65	58.06%
£90,000.00	10.00%	£9,000.00	£71,052.63	14.00%	7.50%	21.50%	£15,276.32	£124.80	£3,053.00	£461.25	£3,514.25	£74,723.68	£6,475.00	£68,248.68	£19,819.47	£51,389.96	£4,282.50	57.10%
£95,000.00	10.00%	£9,500.00	£75,000.00	14.00%	7.50%	21.50%	£16,125.00	£124.80	£3,053.00	£511.25	£3,564.25	£78,875.00	£6,475.00	£72,400.00	£21,480.00	£53,830.75	£4,485.90	56.66%
£100,000.00	10.00%	£10,000.00	£78,947.37	14.00%	7.50%	21.50%	£16,973.68	£124.80	£3,053.00	£561.25	£3,614.25	£83,026.32	£6,475.00	£76,551.32	£23,140.53	£56,271.54	£4,689.29	56.27%
£105,000.00	10.00%	£10,500.00	£82,894.74	14.00%	7.50%	21.50%	£17,822.37	£124.80	£3,053.00	£611.25	£3,664.25	£87,177.63	£6,475.00	£80,702.63	£24,801.05	£58,712.33	£4,892.69	55.92%
£110,000.00	10.00%	£11,000.00	£86,842.11	14.00%	7.50%	21.50%	£18,671.05	£124.80	£3,053.00	£661.25	£3,714.25	£91,328.95	£6,475.00	£84,853.95	£26,461.58	£61,153.12	£5,096.09	55.59%
£115,000.00	10.00%	£11,500.00	£90,789.47	14.00%	7.50%	21.50%	£19,519.74	£124.80	£3,053.00	£711.25	£3,764.25	£95,480.26	£6,475.00	£89,005.26	£28,122.11	£63,593.91	£5,299.49	55.30%
£120,000.00	10.00%	£12,000.00	£94,736.84	14.00%	7.50%	21.50%	£20,368.42	£124.80	£3,053.00	£761.25	£3,814.25	£99,631.58	£6,475.00	£93,156.58	£29,782.63	£66,034.70	£5,502.89	55.03%
£125,000.00	10.00%	£12,500.00	£98,684.21	14.00%	7.50%	21.50%	£21,217.11	£124.80	£3,053.00	£811.25	£3,864.25	£103,782.89	£4,583.55	£99,199.34	£32,199.74	£67,178.91	£5,643.24	54.18%
£130,000.00	10.00%	£13,000.00	£102,631.58	14.00%	7.50%	21.50%	£22,065.79	£124.80	£3,053.00	£861.25	£3,914.25	£107,934.21	£2,507.89	£105,426.32	£34,690.53	£69,329.43	£5,777.45	53.33%
£135,000.00	10.00%	£13,500.00	£106,578.95	14.00%	7.50%	21.50%	£22,914.47	£124.80	£3,053.00	£911.25	£3,964.25	£112,085.53	£432.24	£111,653.29	£37,181.32	£70,939.96	£5,911.66	52.55%
£140,000.00	10.00%	£14,000.00	£110,526.32	14.00%	8.50%	22.50%	£24,868.42	£124.80	£3,053.00	£961.25	£4,014.25	£115,131.58	£0.00	£115,131.58	£38,572.63	£72,544.70	£6,045.39	51.82%
£145,000.00	10.00%	£14,500.00	£114,473.68	14.00%	8.50%	22.50%	£25,756.58	£124.80	£3,053.00	£1,011.25	£4,064.25	£119,243.42	£0.00	£119,243.42	£40,217.37	£74,961.80	£6,246.82	51.70%
£150,000.00	10.00%	£15,000.00	£118,421.05	14.00%	8.50%	22.50%	£26,644.74	£124.80	£3,053.00	£1,061.25	£4,114.25	£123,355.26	£0.00	£123,355.26	£41,862.11	£77,378.91	£6,448.24	51.59%
£155,000.00	10.00%	£15,500.00	£122,368.42	14.00%	8.50%	22.50%	£27,532.89	£124.80	£3,053.00	£1,111.25	£4,164.25	£127,467.11	£0.00	£127,467.11	£43,506.84	£79,796.01	£6,649.67	51.48%
£160,000.00	10.00%	£16,000.00	£126,315.79	14.00%	8.50%	22.50%	£28,421.05	£124.80	£3,053.00	£1,161.25	£4,214.25	£131,578.95	£0.00	£131,578.95	£45,151.58	£82,213.12	£6,851.09	51.38%
£165,000.00	10.00%	£16,500.00	£130,263.16	14.00%	8.50%	22.50%	£29,309.21	£124.80	£3,053.00	£1,211.25	£4,264.25	£135,690.79	£0.00	£135,690.79	£46,796.32	£84,630.22	£7,052.52	51.29%
£170,000.00	10.00%	£17,000.00	£134,210.53	14.00%	8.50%	22.50%	£30,197.37	£124.80	£3,053.00	£1,261.25	£4,314.25	£139,802.63	£0.00	£139,802.63	£48,441.05	£87,047.33	£7,253.94	51.20%
£175,000.00	10.00%	£17,500.00	£138,157.89	14.00%	8.50%	22.50%	£31,085.53	£124.80	£3,053.00	£1,311.25	£4,364.25	£143,914.47	£0.00	£143,914.47	£50,085.79	£89,464.43	£7,455.37	51.12%
£180,000.00	10.00%	£18,000.00	£142,105.26	14.00%	8.50%	22.50%	£31,973.68	£124.80	£3,053.00	£1,361.25	£4,414.25	£148,026.32	£0.00	£148,026.32	£51,730.53	£91,881.54	£7,656.79	51.05%
£185,000.00	10.00%	£18,500.00	£146,052.63	14.00%	8.50%	22.50%	£32,861.84	£124.80	£3,053.00	£1,411.25	£4,464.25	£152,138.16	£0.00	£152,138.16	£53,375.26	£94,298.64	£7,858.22	50.97%
£190,000.00	10.00%	£19,000.00	£150,000.00	14.00%	8.50%	22.50%	£33,750.00	£124.80	£3,053.00	£1,461.25	£4,514.25	£156,250.00	£0.00	£156,250.00	£55,645.00	£96,090.75	£8,007.56	50.57%
£195,000.00	10.00%	£19,500.00	£153,947.37	14.00%	8.50%	22.50%	£34,638.16	£124.80	£3,053.00	£1,511.25	£4,564.25	£160,361.84	£0.00	£160,361.84	£57,700.92	£98,096.67	£8,174.72	50.31%
£200,000.00	10.00%	£20,000.00	£157,894.74	14.00%	8.50%	22.50%	£35,526.32	£124.80	£3,053.00	£1,561.25	£4,614.25	£164,473.68	£0.00	£164,473.68	£59,756.84	£100,102.59	£8,341.88	50.05%

Notes:  
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# For Illustration Only

# Schedule E

Practice profit Share	NHS Superanauble discount	NHS Superanauble quantum	NHS Pensionable income	NHS pension contributions	Total Superann %	Superann Deductions	NI Class 2 2.40 pw	NI class 4 @ 9% 6485 and 43875	NI Class 4 over 43875	Total NI deductions 2%	Gross taxable income A minus H	Personal allowance 6475 to 100K After 100K reduces By 1 for 2 earned above 112950 NO personal allowance	Net taxable income Tax M minus N	20% to 37400 40% to 149999 50% ovr 150 K Total tax to 37400 is 7480 total tax at 40% is 45040	Annual take home A-H- P-L	Monthly take home	take home to gross	
2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	2011-2012	
				"Employee" to 68392	6.50%													
				68392 to 107846	7.50%													
				107846	8.50%													
				"Employers" 14%								personal allowance						
£65,000.00	10.00%	£6,500.00	£51,315.79	14.00%	6.50%	20.50%	£10,519.74	£124.80	£3,365.10	£422.50	£3,787.60	£54,480.26	£6,475.00	£48,005.26	£11,722.11	£38,970.56	£3,247.55	60.0%
£70,000.00	10.00%	£7,000.00	£55,263.16	14.00%	6.50%	20.50%	£11,328.95	£124.80	£3,365.10	£522.50	£3,887.60	£58,671.05	£6,475.00	£52,196.05	£13,398.42	£41,385.03	£3,448.75	59.1%
£75,000.00	10.00%	£7,500.00	£59,210.53	14.00%	7.50%	21.50%	£12,730.26	£124.80	£3,365.10	£622.50	£3,987.60	£62,269.74	£6,475.00	£55,794.74	£14,837.89	£43,444.24	£3,620.35	57.9%
£80,000.00	10.00%	£8,000.00	£63,157.89	14.00%	7.50%	21.50%	£13,578.95	£124.80	£3,365.10	£722.50	£4,087.60	£66,421.05	£6,475.00	£59,946.05	£16,498.42	£45,835.03	£3,819.59	57.3%
£85,000.00	10.00%	£8,500.00	£67,105.26	14.00%	7.50%	21.50%	£14,427.63	£124.80	£3,365.10	£822.50	£4,187.60	£70,572.37	£6,475.00	£64,097.37	£18,158.95	£48,225.82	£4,018.82	56.7%
£90,000.00	10.00%	£9,000.00	£71,052.63	14.00%	7.50%	21.50%	£15,276.32	£124.80	£3,365.10	£922.50	£4,287.60	£74,723.68	£6,475.00	£68,248.68	£19,819.47	£50,616.61	£4,218.05	56.2%
£95,000.00	10.00%	£9,500.00	£75,000.00	14.00%	7.50%	21.50%	£16,125.00	£124.80	£3,365.10	£1,022.50	£4,387.60	£78,875.00	£6,475.00	£72,400.00	£21,480.00	£53,007.40	£4,417.28	55.8%
£100,000.00	10.00%	£10,000.00	£78,947.37	14.00%	7.50%	21.50%	£16,973.68	£124.80	£3,365.10	£1,122.50	£4,487.60	£83,026.32	£6,475.00	£76,551.32	£23,140.53	£55,398.19	£4,616.52	55.4%
£105,000.00	10.00%	£10,500.00	£82,894.74	14.00%	7.50%	21.50%	£17,822.37	£124.80	£3,365.10	£1,222.50	£4,587.60	£87,177.63	£6,475.00	£80,702.63	£24,801.05	£57,788.98	£4,815.75	55.0%
£110,000.00	10.00%	£11,000.00	£86,842.11	14.00%	7.50%	21.50%	£18,671.05	£124.80	£3,365.10	£1,322.50	£4,687.60	£91,328.95	£6,475.00	£84,853.95	£26,461.58	£60,179.77	£5,014.98	54.7%
£115,000.00	10.00%	£11,500.00	£90,789.47	14.00%	7.50%	21.50%	£19,519.74	£124.80	£3,365.10	£1,422.50	£4,787.60	£95,480.26	£6,475.00	£89,005.26	£28,122.11	£62,570.56	£5,214.21	54.4%
£120,000.00	10.00%	£12,000.00	£94,736.84	14.00%	7.50%	21.50%	£20,368.42	£124.80	£3,365.10	£1,522.50	£4,887.60	£99,631.58	£6,475.00	£93,156.58	£29,782.63	£64,961.35	£5,413.45	54.1%
£125,000.00	10.00%	£12,500.00	£98,684.21	14.00%	7.50%	21.50%	£21,217.11	£124.80	£3,365.10	£1,622.50	£4,987.60	£103,782.89	£6,475.00	£97,307.89	£31,443.16	£67,352.14	£5,612.68	53.9%
£130,000.00	10.00%	£13,000.00	£102,631.58	14.00%	7.50%	21.50%	£22,065.79	£124.80	£3,365.10	£1,722.50	£5,087.60	£107,934.21	£6,475.00	£101,459.21	£33,193.63	£68,765.58	£5,817.97	52.4%
£135,000.00	10.00%	£13,500.00	£106,578.95	14.00%	7.50%	21.50%	£22,914.47	£124.80	£3,365.10	£1,822.50	£5,187.60	£112,085.53	£432.24	£111,653.29	£37,181.32	£74,471.97	£5,009.72	51.6%
£140,000.00	10.00%	£14,000.00	£110,526.32	14.00%	8.50%	22.50%	£24,868.42	£124.80	£3,365.10	£1,922.50	£5,287.60	£116,248.13	£0.00	£115,131.58	£38,572.63	£76,564.35	£5,214.21	50.9%
£145,000.00	10.00%	£14,500.00	£114,473.68	14.00%	8.50%	22.50%	£25,717.11	£124.80	£3,365.10	£2,022.50	£5,387.60	£120,413.63	£0.00	£119,046.03	£40,217.37	£78,828.66	£5,419.54	50.8%
£150,000.00	10.00%	£15,000.00	£118,421.05	14.00%	8.50%	22.50%	£26,565.79	£124.80	£3,365.10	£2,122.50	£5,487.60	£124,598.13	£0.00	£122,910.53	£41,862.11	£81,048.42	£5,619.54	50.7%
£155,000.00	10.00%	£15,500.00	£122,368.42	14.00%	8.50%	22.50%	£27,414.47	£124.80	£3,365.10	£2,222.50	£5,587.60	£128,785.63	£0.00	£126,818.03	£43,511.97	£83,306.06	£5,819.54	50.6%
£160,000.00	10.00%	£16,000.00	£126,315.79	14.00%	8.50%	22.50%	£28,263.16	£124.80	£3,365.10	£2,322.50	£5,687.60	£133,078.13	£0.00	£130,700.53	£45,161.97	£85,538.56	£6,019.54	50.5%
£165,000.00	10.00%	£16,500.00	£130,263.16	14.00%	8.50%	22.50%	£29,111.85	£124.80	£3,365.10	£2,422.50	£5,787.60	£137,372.63	£0.00	£134,605.03	£46,811.97	£87,792.06	£6,219.54	50.4%
£170,000.00	10.00%	£17,000.00	£134,210.53	14.00%	8.50%	22.50%	£30,000.00	£124.80	£3,365.10	£2,522.50	£5,887.60	£141,667.13	£0.00	£138,507.53	£48,461.97	£90,042.56	£6,419.54	50.3%
£175,000.00	10.00%	£17,500.00	£138,157.89	14.00%	8.50%	22.50%	£31,085.53	£124.80	£3,365.10	£2,622.50	£5,987.60	£146,019.63	£0.00	£142,410.03	£50,111.97	£92,302.06	£6,619.54	50.2%
£180,000.00	10.00%	£18,000.00	£142,105.26	14.00%	8.50%	22.50%	£31,973.68	£124.80	£3,365.10	£2,722.50	£6,087.60	£150,372.13	£0.00	£146,262.53	£51,761.97	£94,552.56	£6,819.54	50.1%
£185,000.00	10.00%	£18,500.00	£146,052.63	14.00%	8.50%	22.50%	£32,861.84	£124.80	£3,365.10	£2,822.50	£6,187.60	£154,724.63	£0.00	£150,115.03	£53,411.97	£96,702.06	£7,019.54	49.9%
£190,000.00	10.00%	£19,000.00	£150,000.00	14.00%	8.50%	22.50%	£33,750.00	£124.80	£3,365.10	£2,922.50	£6,287.60	£159,077.13	£0.00	£153,967.53	£55,061.97	£98,952.56	£7,219.54	49.8%
£195,000.00	10.00%	£19,500.00	£153,947.37	14.00%	8.50%	22.50%	£34,638.16	£124.80	£3,365.10	£3,022.50	£6,387.60	£163,429.63	£0.00	£157,819.03	£56,711.97	£101,202.06	£7,419.54	49.7%
£200,000.00	10.00%	£20,000.00	£157,894.74	14.00%	8.50%	22.50%	£35,526.32	£124.80	£3,365.10	£3,122.50	£6,487.60	£167,782.13	£0.00	£161,670.53	£58,461.97	£103,452.06	£7,619.54	49.6%

**Notes:**

The calculations are based on the standard personal tax allowance. Members may be entitled to higher allowances or have allowance restrictions depending on their personal circumstances. All calculations are based on profits earned for the tax year in question. Different loss reliefs for prior years may be available for tax and National Insurance purposes. All rates, allowances and thresholds are based on the currently available information. Rates are subject to change resulting from Budgets and changes in legislation. **GPDF cannot be held responsible for any losses arising as a result of any actions taken based on the information contained within this spreadsheet and we recommend that you seek professional guidance when considering your tax affairs.**

# General Practitioners Defence Fund

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**GPDF**  
General Practitioners  
Defence Fund

Our Ref: Tax Guidance June 2010

15 June 2010

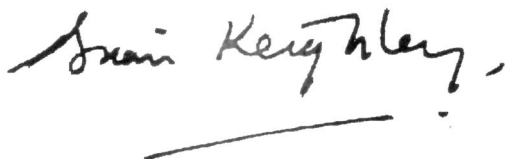
## GPDF DISCLAIMER

The attached information, including the Note titled 'Focus on the new tax brackets and other financial considerations' produced by the General Practitioners Committee (GPC), a branch of practice committee of the British Medical Association (BMA) together with the accompanying schedules identified as A to E, is for illustrative purposes only and should not be relied upon to represent the specific circumstances of the reader or anyone else.

The reader's attention is drawn to the fact that the assumptions used in preparing the illustrations may no longer be applicable and may change over time. More specifically, the reader's attention is drawn to the Mazars LLP report dated 3 June 2010.

Furthermore, the General Practitioners Defence Fund Limited (GPDF) and the GPDF on behalf of the General Practitioners Committee (GPC) of the British Medical Association (BMA) and the BMA do not provide financial or fiscal advice and the GPDF and the GPDF on behalf of the GPC and the BMA exclude all liability, damages, costs, and expenses howsoever arising out of the use made by a reader of such illustrations and the information described in the Note produced by the GPC.

All three bodies strongly advise any GP who may have concerns relating to taxation or other financial matters, including but not limited to National Insurance Contributions, pension payments and other matters, to seek advice from a suitably qualified, specialist financial adviser.



**Dr Brian D Keighley**  
Treasurer

**“Representing all NHS GPs”**



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Our ref CB/NB/GENE15521

3 June 2010

Dear Sirs

### **Comparison of gross pay to take home pay**

We have examined schedules prepared by GPDF to help members (General Practitioners) understand the amount of take home pay from specified levels of gross pay for the tax years 2009/10 to 2011/12 inclusive. The changes which are clearly of concern to members will include, for example:-

- The impact of the 50% additional tax rate, effective from 6 April 2010.
- The impact of the proposed increase in National Insurance of 1%, effective from 6 April 2011.
- Changes in the rules as they relate to pension contributions and the tax relief available to members.

The information is mainly set out in spreadsheets A - D.

Our review consisted of confirming that:

- the rates and thresholds used for the calculation of tax and National Insurance were correct;
- the formulae used in the construction of the spreadsheets were correct/and
- a sample of the calculations used for each year were correct.

The rates, thresholds and allowances are based on the information available at present, including changes announced in the December 2009 pre-budget report and March 2010 Budget. No assumptions or predictions have been made as to any changes that may be made for future years as a result of Budget announcements, especially the emergency Budget to be held on 22 June 2010, or any changes in Government.

The tax calculations have been based on the current level of personal allowance and neither we nor GPDF have considered the effects on take home pay levels of allowances that may be enhanced or reduced as a result of members' personal circumstances.

The calculations have been calculated based on assumed profits for the tax years concerned. They do not take into account any potential loss relief claims, or any other reliefs or allowances which may be tax deductible and available to members.

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An additional schedule has also been prepared to help demonstrate the position for a salaried GP. We have been unable to verify the level of subscription rates payable to the General Medical Council or Medical Defence Unions, and assume these represent the current (2010) rates; we offer no comment on the rates for future years either. Furthermore, we are unable to comment further in respect of the locum costs included in the schedules.

The calculations have been prepared for illustrative purposes only and Mazars LLP is unable to enter into any correspondence relating to members' personal circumstances. Members are strongly advised to seek professional guidance should they have any queries relating to how any changes to tax and National Insurance will affect them.

Members are also advised to review their affairs on a regular basis, as legislation relating to, for example, tax, National Insurance and pensions, is constantly the subject of review and possible change.

Yours faithfully

Mazars LLP

**Mazars LLP**