

**PERSONAL FINANCE AND TAX  
ISSUES FOR  
NEWLY QUALIFIED GPs**

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- BASED IN BLANDFORD FORUM / BRANCH IN LYTCHETT MATRAVERS
- 180 + GP PARTNERSHIPS
- ACT ON BEHALF OF OVER 800 GPs
- OVER 90 “ PORTFOLIO” GPs
- OFFER A MEEETING AT OUR OFFICES TO DISCUSS MOVE TO SELF-EMPLOYMENT AT NO COST
- TODAYS PRESENTATION – REQUESTED FROM [Lizf@sandisons.net](mailto:Lizf@sandisons.net)

# PRESENTATION SUMMARY

- Tax in Employment
- An introduction to self-employment
- Accounting and tax as a self-employed GP
- Student Loans
- The NHS Pension scheme
- Incorporating – working via a company
- IR35 and the “portfolio” GP

# BEING IN EMPLOYMENT

- Speciality Training Programme – hospital appointments
- Speciality training programme – in General Practice
- Salaried GPs – employed by a Practice
  - Taxed under PAYE
  - Tax and NIC collected monthly
  - Student loan repayments collected monthly
  - Pension collected monthly
  - Rights under contracts of employment
  - Maternity Pay and Sick Pay
  - Income protection
  - Pension rights

# BEING TAXED IN EMPLOYMENT

- Usually! very straight forward – under the P.A.Y.E scheme
- Tax Codes – 1,150L , BR , DO, K – identify how earnings are to be taxed
- Personal Allowances in 2017-18 - £11,500 – Tax code 1,150L
- Tax codes are adjusted –for qualifying expenditure under employment
- Multiple employments – should only receive a single personal allowance
- Employing the wrong Tax Code **will** result in settling the wrong tax
- When in doubt – submit a Tax Return

# TAX AND NIC BANDS 2017-18

- Earnings up to £45.0K – tax rate 20% - £33,500 (£11,500 – tax free)
- Earnings in excess of £45,000 - £100,000 – tax rate of 40%
- Earnings from £100,000 - £123,000 – marginal tax rate of 60%
- Earnings from £123,000 - £150,000 – tax rate of 40%
- Earnings > £150,000 – tax rate of 45%
- Class 1 NIC – 12% on earnings between £157 -£866 per week
- Class 1 NIC – 2% on earnings over £866 per week
- Self-employed Class 4 – 9% profits between £8,164 and £45,000
- Self-employed Class 4 – 2% on profits over £45,000
- Self-employed Class 2 NIC - £2.85 per week

# TAX RELIEF AS A SALARIED DOCTOR

- “wholly, exclusively and necessarily” rule
  - Refunded expenses do not give rise to a claim
  - MDU, GMC, BMA, RCGP
  - Work related travel – who holds your contract?
  - FPCS rate 45 pence per mile
  - Replacement and repair of equipment
  - Use of home as an office – unlikely
  - Certain books and journals
  - Educational courses/exam fees – not allowable (except CSA and AKT)
  - Mobile phones – keep records of calls and costs

# WHY WOULD YOU FILL IN AN INCOME TAX RETURN ?

- If you are sent one – you are obliged to complete it
- If you have a tax liability to declare – **you are obliged** to request and complete an ITR ( cremation fees, rental income, investment income)
- If you have unrelieved expenses of employment
- If you have been given the wrong Tax Code
- If you have multiple employments
- When in doubt – submit a Tax Return



# 2016-17 INCOME TAX RETURNS

- Register for self-assessment (5.10.2017) or download – [www.hmrc.gov.uk](http://www.hmrc.gov.uk)
- Filing date
  - paper return - midnight 31.10.2017
  - Electronic submission - midnight 31.01.2018
  - First return – later of 31.01 or 3 months of receiving notice to file a return
- Late filing penalty of £100 when deadline missed. If the Return is outstanding after 3 months, daily penalties of £10 per day are charged (to a maximum of £900). Further penalties if the Return is still outstanding at 6 and 12 months.

# SELF-EMPLOYMENT

- As a locum / portfolio GP
- As a GP principal in a Partnership
- As a provider of “Out of Hours” services
- Salaried GP with Self-employed income
  - No protection from an employment contract
  - Need to consider income protection and life cover
  - Need to consider Pension provisions
  - Need to keep records of income and expenditure
  - Need to complete annual Income Tax Returns
  - Need to save for tax and repayment of student loans
  - Need to consider position re National Insurance

# INITIAL STEPS TO SELF-EMPLOYMENT

- Register self-employment with HMRC
- HMRC web site – on line registration
- Consider employing an “accountant”
- Review your record keeping requirements
- Review tax saving , student loan repayment and tax settlement requirements
- First year could be one of employment and self-employment

# COMPUTATION OF BUSINESS PROFITS

- For an expense to be deducted in computing taxable profits it must be incurred “wholly and exclusively for the purposes of the trade or profession”
- More latitude in claims than under an employment contract
- *Mallalieu v Drummond* – duality of purpose
- Far reaching consequences when advising on qualifying tax relieviable expenditure

# EXPENSE CLAIMS

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- Travel – motor expenses
- Subscriptions
- Use of home
- Course fees
- Exam fees – CSA & AKT
- Phones
- Internet access
- Personal computers
- Medical equipment

# EXPENSE CLAIMS - CONTINUED

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- Out of pocket expenses
- Cleaning and laundry
- Employment of spouses
- Pension contributions
- Medical books and journals
- Working abroad/ away from base

# RECORD KEEPING

- Income is assessed on an “earnings basis”
- Maintain mileage logs of business travel
- Documentary evidence - statutory requirement
- Use of estimates must be justifiable as being “fair and reasonable”
- Locum web-sites – “Locum Organiser”
- Maintain daily diary
- Excel spreadsheets

# SAVING FOR TAX

- Tax savings – as a rule of thumb is 30-35% of your Gross Self-employed income
- Cash flow advantage in first year of self-employment
- Tax is settled 4 months in arrears
- Consider off-set mortgages to house savings



# SETTLING YOUR INCOME TAX

- Income Tax and Class 4 NIC are normally settled 31 Jan and 31 July
- Late settlement of tax incurs interest calculated on a daily basis
- Late settlement of Tax
  - Interest arises from the tax due date
  - 5% surcharge if Tax unpaid 30 days after due date
  - Further 5% surcharge after 6 and 12 months

# SETTLING TAX ON YOUR SELF-EMPLOYMENT

## CASE STUDY

ASSUME AGREED OUTSTANDING TAX LIABILITIES ARE AS FOLLOWS -:

	<u>Income Tax</u>	<u>Class 4 NIC</u>	<u>Student loans</u>	<u>Total</u>
	£	£		£
<u>Tax year 2016-17</u>	8,000	1,000	2,000	11,000
<u>Tax year 2017-18</u>	20,000	2,000	4,000	26,000
<u>Tax year 2018-19</u>	28,400	3,600	6,000	38,000

**NOTE THE FIRST INCOME TAX RETURN IS NOT DUE FOR SUBMISSION UNTIL  
THE 31 JANUARY FOLLOWING THE TAX YEAR ie. 31 JAN 2018**

SETTLING TAX ON YOUR SELF-EMPLOYMENT

WORK SHEET

<u>TAX DUE FOR SETTLEMENT</u>	<u>Payment on Account 1</u>	<u>Payment on Account 2</u>	<u>Balance of tax</u>	<u>Student loan</u>	<u>Total Tax and NIC and student loan due for settlement</u>
	£	£	£	£	£
31-Jan-17					0
31-Jul-17					0
31-Jan-18	4,500		9,000	2,000	15,500
31-Jul-18		4,500			4,500
31-Jan-19	11,000		13,000	4,000	28,000
31-Jul-19		11,000			11,000
31-Jan-20	16,000		10,000	6,000	32,000
31-Jul-20		16,000			16,000

# STUDENT LOANS – Plan 1 – pre 01.09.2012

- Students Loan Company – SLC manage loans and accounts  
[www.studentloanrepayment.co.uk](http://www.studentloanrepayment.co.uk)
- Annual threshold 2017/18 - **£17,775**
- For 2017-18 monthly salary threshold will be £1,481
- Loans are repaid at 9% of income above threshold
- SLC advise HMRC who advise employers when to start and stop collecting loan repayments
- Multiple employments - each apply the annual threshold

# STUDENT LOANS – Plan 2 – post 01.09.2012

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- Annual threshold 2017/18 - **£21,000**
- For 2017-18 monthly salary threshold will be £1,750
- Loans are repaid at 9% of income above threshold

# STUDENT LOANS – under Self-Assessment

- Inclusion of all relevant income on Tax Return
- Employment income, self employment income and unearned income in excess of £2,000
- Loans are repaid at 9% of income above £21,000 2017-18
- Loan repayment due is added to tax settlement in the January following
- Loans repaid in employment is credited against total sums due
- Beware overpaying!

# NHS PENSION SCHEMES FOR GPs

- 3 Schemes - 1995 Pension scheme , 2008 and 2015 Pension schemes
- All 3 schemes have their own “terms and conditions”
- Practitioners scheme is based on CARE (Career Average Re-valued Earnings)
- Pensionable earnings over your working life – create a “notional” fund
- On retirement – 1.85% of fund as annual pension (1.4% under 1995 scheme)
- E.G. If CARE fund = £3,000,000, then under scheme -:
  - Annual pension (1.85% of £3.0 M) = £55,500

# 2015 NHS PENSION SCHEME

- NPA for scheme members will be determined by their State Pension Age
- This could be 66, 67, 68 or any proposed future change
- Retiring before NPA will reduce pension fund – abatement rules yet to be agreed
- Accrual rate to be set at 1.85% of the pension fund
- No more automatic Tax free lump sums
- No more final salary pension schemes – all on C.A.R.E



# THE NHS PENSION SCHEME

- NHS Pension scheme remains an excellent investment
- It is more than the guaranteed return on the “investment” of contributions
- Family benefits , death in service benefits , ill health retirement benefits
- Maximise your contributions where possible
- Locums can/should enhance CARE by filling in Locum A and B Forms - practices now responsible for 14.38% employer pension contributions
- Buy additional annual NHS pension in tranches of £250 per annum up to a maximum of £5,000
- Creation of pension tiers requires Type 2 Practitioner certificates to be prepared

# PENSION TIERS 2016-17

<b>Employee tier</b>			
<b>From</b>		<b>To</b>	
£0.00	to	£15,431.99	<b>5.00%</b>
£15,432.00	to	£21,477.99	<b>5.60%</b>
£21,478.00	to	£26,823.99	<b>7.10%</b>
£26,824.00	to	£47,845.99	<b>9.30%</b>
£47,846.00	to	£70,630.99	<b>12.50%</b>
£70,631.00	to	£111,376.99	<b>13.50%</b>
£111,377.00			<b>14.50%</b>

# TYPE 2 PENSION CERTIFICATES

- Every GP is legally required to pay same rate of tiered pension contributions
- Tiered contributions require a consolidating statement of total pensionable earnings from all sources
- Type 2 Practitioner Certificate – achieves this
- Consolidates – OOH income, salaried GP income , clinical assistant CCG salary , GP locum income , GPwSI , appraisal income
- Under contributions must be paid over

# INCORPORATING

- Portfolio GPs – working through Personal Service Companies
- Locum work , OOH sessions and private work
- PSCs exist in their own right – they are a legal entity – they are not the GP
- Aim – save tax , avoid pension contributions
- Companies pay Corporation tax 19%
- Extraction tax – extra tax an individual pays by taking monies out of the company
- Ability to appoint other “officers” and stakeholders

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