MediBites
Summer 2023

Welcome to our latest newsletter, giving you a round-up of Larking Gowen's insights focusing on medical sector news.

Larking Gowen

Committed to you.

Meet the team

Each newsletter we introduce you to a member of the medical accounting team across Norwich, Ipswich and Colchester. In this edition, we feature one of our partners, Louise Dean.

Louise qualified in 2007 and gained a keen interest in medical accounts after joining Larking Gowen in 2010. She became a partner within our specialist medical team in April 2020, working alongside her fellow partners to grow the medical specialism across Essex and Suffolk.

She prides herself on building up strong professional relationships with GPs and hospital consultants. With a keen interest in and a solid understanding of the NHS pension scheme and surrounding tax implications, Louise has written many blogs on topical matters, as well as presenting webinars.

What's on socials?

Below is a summary of content published across our social media channels during the last quarter.

McCloud Remedy

In this audio insight, Louise and her fellow partner, Lizzy Lloyd, discuss the compulsory transfer of members to the 2015 NHS pension scheme, the resulting McCloud judgement, and the impact on members. Listen to the podcast here.

Changes to annual and lifetime allowance

The year 2023 has brought some significant changes to annual allowance and lifetime allowance legislation, as discussed in blogs produced by Louise and Lizzy. Louise discusses the changes introduced from the Budget here and Lizzy reflects on the results from the government consultation here.

Accounts preparation

Does your practice prepare its accounts through to March each year? If so, before you start the accounts preparation process, read Louise Prime's blog on how to make sure this process runs smoothly, and reduce the number of queries you may receive.

Her blog can be found here.

Taxation of associate dentists

Not only do we act for doctors, but we also work with dentists, and there have been some changes introduced by HMRC on the employment status of associate dentists, which may have tax implications. Please have a read of Melanie Garrett's blog if you would like to find out more.

AISMA news

Interested in hearing the thoughts of other AISMA member firms? Check out AISMA's Spring 2023 Newsline here, which covers a range of topics such as GP contract changes and top tips on how to maximise practice income.

Calling all salaried GPs

Are you a salaried GP looking for support with your taxes?

Check out the services we can provide in our brochure.

Deadlines approaching

6 July – P11d reporting

As an employer, if you provide expenses or benefits to your employees, you may need to report these to HMRC and pay tax and National Insurance on them.

Examples could include company cars, health insurance or travel expenses. There are different rules for what you must report and pay, depending on the type of expense or benefit you provide.

Visit the HMRC website for more information or seek professional advice.

6 July – Employment-related securities return filing

As an employer, if your company provides (or transfers) shares to employees or directors, it's likely you'll need to submit information about these changes on an employment-related shares (ERS) return to HMRC.

If your company provides (or transfers) any shares to employees or directors, in certain circumstances, HMRC will see the transfer as an ERS scheme and require you to submit an ERS return.

There are circumstances where an ERS return is not required.

For instance, a share transfer in the normal course of domestic, family, or personal relationships (such as between spouses) does not need a return.

However, it's always worth checking with an accountant.

Basis period reform

From April 2024, the way in which partnerships and self-employed individuals are taxed under self-assessment is changing. It will affect those who currently have an accounting year-end that doesn't align with the tax year of 5 April or 31 March.

What are the current rules?

Under the current rules, partnerships or sole traders can choose whatever date they wish to draw up their annual accounts. That accounting year-end date determines in which tax year those profits are assessed for tax. For example, an accounting year ended 30 June 2022 will be taxed in the tax year ended 5 April 2023, since it falls within that tax year. An accounting year-end of 31 March 2023 is aligned with the tax year-end, and so is also taxed in the tax year ended 5 April 2023.

When a partner joins a partnership, they're brought into the current tax system under the opening year rules. During these early years, the partner will be taxed on a certain period's profits twice. For example, if a practice has a 30 June year-end, this is nine months behind the tax year-end. Therefore, the incoming partner will be taxed on nine months of profits twice. These twice-taxed profits are known as overlap profits.

Over their time in the partnership, an individual will only ever pay tax on profits once, since those overlap profits are relieved (deducted from profits) when the accounting year is moved closer to the tax year-end, or they retire from the business.

Partners will all have different overlap profits as they are determined based on their profit share in their opening years.

What's changing?

From April 2024, everyone will pay tax on 12 months of profits to the end of the tax year.

This means that all those with non-31 March/5 April year-ends will relieve their overlap profits in the transitional year, 2023/24.

It doesn't mean that businesses must change their accounting year-end date. However, if they continue to keep, for example, a 30 June year-end, then their tax return will take three months of profit from one set of accounts and nine months from the next set of accounts, so that they are assessed on a tax year basis.

What does this mean for my tax bill?

Overlap profits were created when an individual joined the practice or when self-assessment was introduced in 1995/96. Overlap profits aren't uplifted for inflation so they're unlikely to represent current profit levels, i.e. six months of profits when you joined the partnership may be less than your current six months of profits, especially if you joined a partnership on a reduced parity share or on fewer sessions than you're working currently.

Accordingly, when you move to this new tax basis, you'll have an advancement of tax that otherwise wouldn't hit you until you left the practice or retired.

HMRC do recognise that, when these new rules are implemented, you could pay significantly more tax. Therefore, you'll be able to spread the excess profit over five years to help cashflow.

The five-year spreading of additional profits is only available in 2023/24.

However, there'll certainly be some other problem areas to consider:

1. The five-year spreading could affect your tax rate band for the following five years, i.e. loss of personal allowance, putting you into a higher tax band.

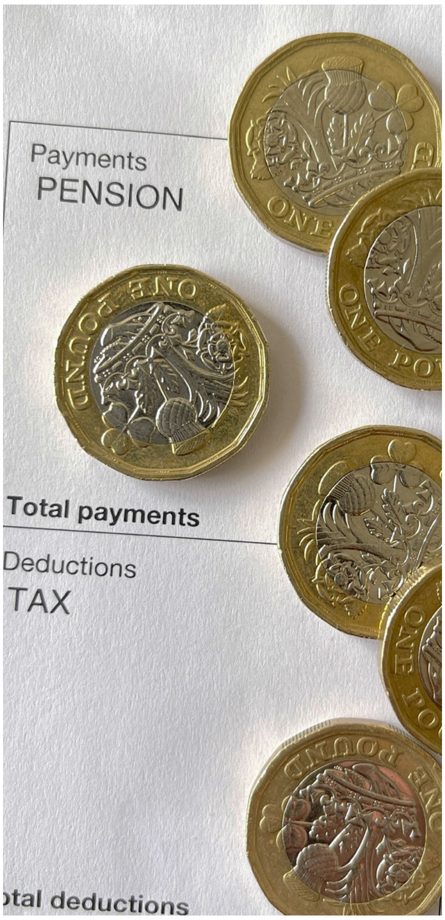
2. Accounts may need to be finalised earlier to allow tax returns to be submitted, or estimated figures may need to be used and subsequently revised.

3. The annual allowance pension tax charge has been an issue for a few years, affecting those whose taxable income is above a certain threshold. Although that threshold has been increased, the basis period reform may mean an increase in taxable pay, which could give rise to a higher than otherwise pension tax charge.

4. The calculation of pensionable pay for GP partners follows the tax treatment, i.e. if you have a non-31 March/5 April year-end, then you'll be paying pension contributions in arrears and have notional pensionable pay overlap profits recorded on your pension certificate. If NHS Pensions move the calculation of your pensionable pay in line with tax legislation, then this could also give rise to additional pension contributions becoming due. With a rise in pensionable pay for 2023/24, this, in turn, may have consequences of higher pension growth and therefore impact annual allowance pension tax charges. NHS Pensions haven't released information on whether they'll also allow the five-year spreading.

To understand how the above will impact you, please speak with a member of our medical team.

Dates for your diary



Understanding the NHS pension scheme webinar series

Lizzy Lloyd, Andrew Burwood and Louise Dean are delivering a series of webinars on the NHS pension scheme throughout May and June.

Each webinar is aimed at specific medical professionals within the scheme, so please check which webinar might be relevant to you. You can register for more than one of these FREE webinars, taking place on 7, 14 and 21 June. If you're unable to attend live, a copy of the recording will be emailed to you.

Please visit our website here to register your place. To listen to a recording of the May webinar, 'Understanding the NHS pension scheme for GPs', click here.

If you would like to discuss any of the above in more detail, you can find contact details for the medical team on our website, or speak to your usual Larking Gowen contact.



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