

Health & Wealth Summer 2024

Welcome to our quarterly newsletter – a round-up of Larking Gowen insights focusing on medical sector news.

What's on our socials?

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

Primary Care Networks

On 18 June, Andrew and Lizzy presented a webinar to look at where we are now with PCNs, covering current funding, VAT exposure, how Clinical Directors are funding and much more.

Watch the recording [here](#).

Coming to or leaving the UK

The UK has some very complex rules when it comes to taxation, especially if you're leaving or coming to the UK. To try to simplify these areas, we're hosting a couple of webinars which are free to attend.

Watch the Leaving the UK webinar recording [here](#).

Register for the Moving to the UK webinar on 26 June [here](#). To be sent a copy of the recording you will need to register for the webinar.

Is a corporate structure the best for the medical sector?

We're often asked about whether limited companies can be used for our clients. If you're considering this question, please take a look at our recent webinar presented by George Crowe.

Watch [here](#).

Going it alone as a locum GP

If you're a salaried doctor looking to go self-employed or to set up as a limited company, then this podcast episode with Jamie Butcher is for you. She chats to senior accountant Jo Benton about the steps to consider in respect of tax, National Insurance and much more.

Listen [here](#).

Seniority has returned...

But not as we knew it. You may have received a letter from



PCSE advising of adjustments to be made in June in respect of seniority adjustments. In this blog, Jo Benton explains the actions practices need to take to make sure calculations are correct.

Read more [here](#).



Deadlines approaching

6 October 2024

Remedial Pension Growth statements should be sent to members following the McCloud roll-back.



In the news

All about the election!

You can't escape talk of the upcoming general election, but what are they saying about the NHS?

Similar themes are emerging from each party:

1. Cutting hospital waiting list times and waiting times to see your GP
2. Reforming NHS Dentistry
3. Moving care closer to communities
4. Investing in technology and other preventive measures
5. Bringing mental health on the same footing as physical health

Ultimately, we won't know specifics and what this all means for the NHS until 4 July.

There's also lots of speculation on what might happen with the lifetime allowance for pensions, with the Conservatives having recently abolished lifetime allowance charges. Currently no party has included anything in their election manifesto's and so the speculation will continue until we have the results in July. As always with pensions we can only go by the current legislation in force and we would always recommend taking independent financial advice before making any decisions that may impact your pension.



Stronger collaborative working

Over the past couple of months, there have been many articles discussing the need for stronger collaborative working between primary and secondary care.

Relationships are key and involvement in your locality will be crucial to providing the best healthcare for your local population. There's no single way of doing this; you may already be working collaboratively with your primary care network to deliver services; making use of your GP Federation; or speaking with your ICB.

There are many benefits to improving relationships between primary and secondary care:

- Saving time
- Reducing missed appointments
- Improving relationships
- Improving patients' confidence in their healthcare system
- Reducing waiting lists

Collaborative working isn't a new idea but as the environment gets even more challenging, the need for collaboration is greater than ever, so take some time to think how you and those you work with communicate with each other and don't be afraid to challenge the status quo.



In depth

Understanding partial exemption VAT for GP practices

VAT (Value Added Tax) is a complex area for many businesses, including GP practices. A particular challenge is understanding and managing partial exemption VAT, which applies when a business engages in both VAT-able and VAT-exempt activities. GP practices often fall into this category, necessitating careful financial management to comply with VAT regulations and optimise their tax position.

GP practices typically provide a mix of services. Most core medical services, such as consultations and treatments, are VAT-exempt. However, GP practices may also offer services and products that are VATable, such as occupational health services, and certain cosmetic procedures, but the main area of VATable service will be the dispensing of drugs. Although no VAT is charged as they are zero rated, they are still classed as VATable supplies. This dual nature of operations introduces the concept of partial exemption.

Although every practice will have some VATable income, they tend to be below the registration threshold, currently £90,000 per annum, and so don't need to register for VAT.



Dispensing practices, however, should always register for VAT. Depending on the size of the practice, the level of VATable income from dispensing may exceed the registration threshold so they would need to register. However, the practice could choose to voluntarily register if below the threshold, as this would allow them to reclaim the VAT on expenses directly associated with the dispensing of drugs e.g. the cost of the drugs and packaging, meaning they would likely receive a refund from HMRC. When registering for VAT, most practices would have requested to submit monthly VAT returns to aid cashflow in the practice.

What is partial exemption?

Partial exemption occurs when a business engages in both VAT-exempt and VATable activities. For GP practices, this means that while the income from VAT-exempt services does not attract VAT, the practice may still incur VAT on purchases and expenses related to both types of services. As a result, not all the VAT incurred (input tax) on these expenses can be reclaimed.

Calculating partial exemption

To manage partial exemption, GP practices need to perform a partial exemption calculation. This involves:

- **Identifying input tax:** Determining the total VAT incurred on all purchases and expenses.
- **Attribution of input tax:** Separating the input tax into three categories:
 - ◊ Directly attributable to VATable supplies.
 - ◊ Directly attributable to VAT-exempt supplies.
 - ◊ Residual, which cannot be directly attributed to either and must be apportioned.
- **Apportioning residual input tax:** Applying a fair and reasonable method to apportion the residual input tax between VATable and VAT-exempt activities. Common methods include the standard method (based on the proportion of VATable income to total



income) or a special method approved by HMRC.

- **Recoverable input tax:** Summing the input tax directly attributable to VATable activities and the apportioned residual input tax to determine the amount that can be reclaimed.

De minimis rule

An important consideration for GP practices is the de minimis rule. If the total exempt input tax is below a certain threshold (currently £625 per month on average and less than 50% of total input tax for the period), the practice can recover all the input tax, including that related to exempt supplies. This rule simplifies the VAT recovery process for smaller practices with minimal exempt input tax.

Ensuring compliance with partial exemption VAT rules requires diligent record-keeping and accurate financial management. Practices should maintain detailed records of all income and expenses, clearly distinguishing between VATable and VAT-exempt activities. Additionally, it's beneficial to periodically review the partial exemption calculation method and get professional advice to optimise VAT recovery.



Need help?

Partial exemption VAT presents a significant administrative challenge for GP practices, but with careful management and adherence to HMRC guidelines, practices can effectively navigate these complexities. By understanding the principles of partial exemption, performing accurate calculations, and leveraging the de minimis rule, GP practices can make sure they're compliant.

If you would like to discuss any of the above in more detail, you can find contact details for the Medical accounting team on the [Medical section](#) of our website, or speak to your usual Larking Gowen contact.

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