



Healthcare Update

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Imminent Pension Changes affecting Doctors

There are substantial changes being made to the pension rules which will affect higher earning doctors, longer serving doctors or, quite simply, those who have been making large contributions to pension schemes, either through the NHS or privately. Some of these changes are already in place as transitional rules and others commence with the 2011/12 tax year.

Some key changes are set out below and there can be unpleasant tax consequences for getting it wrong. Menzies will be happy to help you maximise the available reliefs but time is short for some of the actions required.

Annual Allowance (the maximum amount of pension funding that an individual can make each year)

In 2010/2011 the annual allowance is £255,000. From April 2011, it is falling to £50,000 per annum. The old limit affected only a few individuals, but the new limit could catch many, especially those that are members of an occupational pension scheme such as the NHS scheme and/or make personal contributions in respect of their self-employed earnings outside the NHS.

If you exceed the limit then the excess is added to your income for tax purposes for the year and taxed accordingly. The relevant figure each year is not the amount of superannuation paid but is a calculation that the NHSPA will produce each year of the increase in the capital value of your pension entitlement.

For example:

An increase in your NHS annual pension entitlement of £3,000 and a personal pension contribution of £5,000 will exceed the limit because of the way the increase value of the NHS pension is calculated.

Lifetime Allowance (the maximum amount of tax exempt fund you can have at the date of retirement)

This is reducing from £1.8m to £1.5m from April 2012. Those that have an accrued fund above £1.5m already should consider stopping their personal pension contributions and review their membership of the NHS Scheme. However, this is a highly complex area due to interaction of taxes and advice should be sought.

Those that think they may exceed the £1.5m though NHS pension scheme accrual and personal pension contributions should also consider their options. Again it is a complex area and advice should be sought.



Our Healthcare team

The Menzies Healthcare team is dedicated to advising the healthcare sector, with a particular focus on care homes, doctors and dentists. Healthcare specialists can be found in each of our offices across London, Surrey and Hampshire. As well as our healthcare services, we also have experts in tax, corporate finance, financial services and strategy, all of whom are able to answer any relevant questions you may have.

Our team of specialists is available to work with you to assist your business and help achieve its objectives in the best possible way. If you would like to discuss any of the topics, or indeed any other issue of concern, we would welcome the opportunity to help.

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We would recommend that if you think you might be in this position you ask the NHS Pensions Agency for an Annual Allowance Valuation before seeking advice from your pension adviser.

For reference, the balance of funds in excess of the lifetime allowance would be taxed at 55%.

As an indication, an NHS Pension of £65,000 per annum with no personal pension fund outside the NHS would broadly equate to the £1.5m lifetime allowance.

The Age 75 Rule has gone, long live Flexible Drawdown!

This is potentially excellent news for doctors.

Currently, you have little choice but to buy an annuity at the age of 75 with your personal pension fund. Whether justified or not, annuities are perceived to be poor value and in the light of the recent European Court case on sex equality may be even poorer value. From April 2011, you can continue to draw income from your pension fund after the age of 75 and still provide a death benefit for your dependents.

In addition, from any age (after 55) if you have a guaranteed pensions of at least £20,000 per annum (minimum income requirement, MIR) then you can drawdown your pension fund with no upper limit. This will be known as flexible drawdown.

For example, a doctor with a state pension of £5,000 and an NHS pension of £25,000 would exceed the MIR. Therefore their personal pension fund which may have a fund of say £250,000 can be withdrawn in whole or in part. The withdrawal is added to your other income for assessment to tax, so one may choose to do this more gradually, but nonetheless the option is there.

As this article demonstrates this is a complex area but one that it is possible to navigate to your advantage with proper advice. Please call us if we can assist. *Menzies is a member of AISMA and advise on all aspects of tax, pensions, investments and accounting issues.*

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