



Healthcare Update

Issue 1 2010

Will you be caught by the 60% tax rate?

As has been widely reported, for the tax year 2010/2011, the Government has introduced a new 50% top up rate of tax for incomes over £150,000.

What has been less understood however, is that where income is over £100,000, the personal allowance will be reduced by £1 for every £2 of additional income. The effect of this is that where taxable income falls within the band £100,000 to (roughly) £114,000, the marginal rate of tax will be 60%. In addition to this, Class 4 National Insurance increases to 1.5% and if you work within the NHS, superannuation contributions add to the deductions.

If your accounts are drawn up with an accounting year beginning on or after 7 April 2009 you will already be earning income which will be taxed at the new rates. You should think about reviewing your likely profit for the year, making sure as little income as possible falls into the marginal rate. For 31 March year ends, it may be worth considering how you could maximise your profits for the current year. For instance, if you are considering large purchases of equipment or refurbishment work, it may be worth delaying them until after 31 March 2010 to maximise the tax relief available.

The income of £100,000 mentioned above is after deducting pension contributions and gift aid. Payments to either cause will therefore be highly tax efficient.

The following planning ideas may also be relevant to your circumstances:

- Distribute investment assets and income suitably between spouses to utilise lower rate bands
- The new ISA limits allow £10,200 to be contributed and income and capital gains are tax exempt
- Consider investments that are primarily geared to capital growth
- Ensure interest relief on loans and capital allowances on commercial property is claimed

We will be working with clients to consider whether a change in accounting year-end date is advantageous. Stock valuations and bad debts are other areas to review.

The points above give a flavour of some of the options available. You should seek professional advice before acting on them.

Please call if we can help.

John Flewitt
jflewitt@menzies.co.uk



HMRC's Tax Health Plan – new disclosure opportunity

You may have recently read in the press that Her Majesty's Revenue & Customs has launched what it calls its "Tax Health Plan" (THP) aimed at medical professionals including hospital consultants, GPs and now specifically dentists.

HMRC believes that there is considerable tax leakage through undeclared private fees received by the healthcare profession, including commissions and fees from insurance companies.

Using its powers, it is issuing formal notices to various third parties to obtain details of income paid to healthcare professionals. This follows on from the successful exercise of obtaining details of offshore bank accounts held by UK tax payers carried out by HMRC in the recent past. Although it has been reported in the press, it is not known whether HMRC will take any other action such as increased numbers of taxpayers selected for investigation.

If tax payers in this sector believe that they have underpaid tax from any source, whether through a third party intermediary or not, there is a system to permit voluntary disclosure. A special form can be downloaded from the HMRC website and returned to HMRC by 31 March. Any tax found to be payable will need to be paid by 30 June 2010. A penalty will be levied on any underpaid tax of 10% and interest will also become due. However, if no voluntary disclosure is made, and it subsequently becomes apparent that there are under-declarations of income, the penalty on this would be at least 20% of the underpaid tax rising to a possible 100%, depending on the severity of the case.

If you are concerned in any way regarding the HMRC crackdown on the medical profession please get in touch with your normal contact at Menzies.

Our Healthcare team

As founder members of the National Association of Specialist Dental Accountants (NASDA), Menzies is kept up-to-date with the latest issues and concerns which affect dentists. The Menzies Healthcare team is dedicated to advising the healthcare sector, with a particular focus on dentists.

Healthcare specialists can be found in each of our offices across 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 practice 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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Victoria House
50-58 Victoria Road
Farnborough
Hampshire GU14 7PG

Tel: +44 (0)1252 541244
Fax: +44 (0)1252 524000

blackwater@menzies.co.uk

Heathrow Business Centre
65 High Street
Egham
Surrey TW20 9EY

Tel: +44 (0)1784 497100
Fax: +44 (0)1784 497101

heathrow@menzies.co.uk

3rd Floor
Kings House
12-42 Wood Street
Kingston upon Thames
Surrey KT1 1TG

Tel: +44 (0)20 8974 7500
Fax: +44 (0)20 8541 5820

kingston@menzies.co.uk

Lynton House
7-12 Tavistock Square
London WC1H 9LT

Tel: +44 (0)20 7387 5868
Fax: +44 (0)20 7388 3978

london@menzies.co.uk

Ashcombe House
5 The Crescent
Leatherhead
Surrey KT22 8DY

Tel: +44 (0)1372
360130/226300
Fax: +44 (0)1372 360053

leatherhead@menzies.co.uk

Fairfield House
Kingston Crescent
Portsmouth
Hampshire PO2 8AA

Tel: +44 (0)23 9244 8400
Fax: +44 (0)23 9244 8449

solent@menzies.co.uk

1st Floor
Midas House
62 Goldsworth Road
Woking
Surrey GU21 6LQ

Tel: +44 (0)1483 755000
Fax: +44 (0)1483 599238

woking@menzies.co.uk