



## 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 top rate of tax of 50% 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 a band that is between £100,000 and £112,950, the marginal rate of tax will be 60%. If this is coupled with superannuation and NIC then, for every extra £1 earned within this band, you will actually receive only 30p.

If your accounts are drawn with an accounting year beginning after 6 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. If you are considering taking those extra OOH sessions, how much will ultimately end up in your pocket?

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. Similarly, you may want to hold open the accounts to 31 March 2010 to make sure that all income due from the PCT for the year has been included in the correct year.

If you are going to receive as little as 30p for every £1 earned, perhaps it is time to consider some lifestyle changes. Some partners are looking at employing a locum or a salaried GP to cover some existing duties. This will give them some time off and although the extra costs will reduce their profit share, the net cost of such a change makes it an attractive choice.

Obviously, the pension contributions are not "lost" in the same way as a payment of tax because it will entitle you to a greater pension when you retire, but individual circumstances may persuade you that this is worth sacrificing. If you believe you will be affected by the new tax rate, we recommend you get in touch with your usual Menzies contact.

**Stephen Pritchard**  
[spritchard@menzies.co.uk](mailto:spritchard@menzies.co.uk)



## HMRC's Tax Health Plan – new disclosure opportunity

You may have recently read in the press that Her Majesty's Revenues and Customs (HMRC) has launched what it calls its "Tax Health Plan" (THP) aimed at medical professionals including hospital consultants, GPs and 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 insurers such as BUPA, Sun Life etc. to obtain details of commissions paid. 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. It is understood that information is also being sought from NHS Trusts and Private Hospitals. 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 these (or any other sources) 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

The Menzies Healthcare team is dedicated to advising the healthcare sector, with a particular focus on GPs. Stephen Pritchard is a member of AISMA, which means that he and the team are kept up-to-date with the latest issues and concerns which affect GPs.

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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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto: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](mailto:woking@menzies.co.uk)