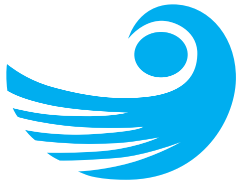

Clemence Hoar Cummings

Chartered Accountants

Focus on Healthcare

August 2018 Edition

Busiest GP practices to face CQC fee increases

Plus

- How HMRC lack of joined up thinking may affect your state pension
- Excess pension input charges and Lifetime Allowances – are you affected?
- Pharmacy price reductions continue to bite

www.chc.uk.com

Welcome to our latest Focus on Healthcare

Welcome to the latest edition of our Healthcare Bulletin, designed to keep you up to date with the very latest developments in the healthcare sector.

In this edition, we focus on issues relating to pensions – we look at the fallout from two legacy tax systems which has led to frustration and confusion amongst health professionals and we also provide advice for individuals who are affected by pension input charges and Lifetime Allowances. We also report on the latest financial stresses faced by community pharmacies and we finish with news that CQC fee increases are having a negative effect on larger GP practices.

For more information on any of the issues covered in this newsletter, please contact David Belbin, Philip Redhead or Neil Windley for matters relating to doctors, dentists and opticians, or care homes.

How HMRC lack of joined up thinking may affect your state pension

Here, Philip Redhead FCCA, a Partner and one of CHC's healthcare sector specialists, examines how the merging on two legacy tax systems is leading to confusion and frustration, for many health professionals.

Class II National Insurance Contributions (NIC) are payable by all self-employed taxpayers, and are what entitles them to state work-related benefits and the state pension.

In the case of state pension you need to have 40 years of Class II contributions or if you have been an employee for some of the time, Class I contributions recorded to be entitled to the full state pension.

Up until 5th April 2015 this was, in most cases, paid by a monthly Direct Debit to HMRC. In 2014/15 this would have been for approximately £11 per month.

From the 2015/16 tax year the government, sensibly, merged the out dated Class II National Insurance Contributions system with the Self-Assessment tax system. From 6 April 2017 the Class II contributions were to be computed and paid along with Income tax and class IV NIC through taxpayers Self-Assessment tax return.

Since these two legacy systems were merged we have noted a number of problems that have come out of the woodwork, that have been caused by a lack of joined-up thinking on the part of HMRC.

Firstly when HMRC sent some taxpayers letters in 2014/15 telling them that they no longer needed to pay their Class II NIC by Direct Debit, the NIC system was updated as if the taxpayer was no longer Self-Employed.

However, now that Class II NIC is calculated and collected through Self-Assessment tax returns, HMRC do not calculate the NIC if the return shows self-employed income. Bizarrely, they still look at the old legacy NI system and if this shows that the taxpayer is not Self-Employed it removes the Class II NIC from the taxpayers 'self-assessed' tax liability as a 'correction'.

This is particularly frustrating as in actual fact tax returns submitted have been correct and the HMRC are un-correcting them.

The other problem we have noticed is that for a number of taxpayers it has emerged that in the past the Income Tax office had not always informed the NI office that individual taxpayers had registered as Self-Employed. As a result of this oversight the NI office had never set up a Class II Direct Debit payment plan.

This is particularly frustrating for taxpayers as throughout this period HMRC had been calculating and collecting the individuals Self-Employed Class IV Contributions. Again there has been no 'joined up writing'.

Apart from the obvious frustration, the main issue with both of these situations is that the affected taxpayers' Class II contribution records may have missing years and as a result of this the taxpayers' entitlements can be adversely effected.

If you think you may have been affected by any of these issues we would recommend that you contact HMRC and confirm your Class II NIC record. If this is not as you would have expected please contact us.

Busiest GP practices to face CQC fee increases

Increased Care Quality Commission (CQC) fees are set to hit GP practices with larger patient lists, following the introduction of a new formula.

The previous banding system for CQC regulatory fees was replaced on 1 April by a new scheme which sees charges levied based upon the number of registered patients on a practice's books.

The changes have been introduced following a consultation which ended in January this year. Despite the finding that less than 50 per cent of GP providers were in favour of the new formula, the abandonment of the previous system has gone ahead regardless.

As an example, under the new scheme, a provider that has two locations and patient lists of 10,000 and 8,300 will see its CQC fees rise from £8,371 to £11,449.

Defending the increase, the CQC said: "Providers with two or three locations are charged significantly more than providers with one location even though they might look after a smaller number of patients overall."

A letter sent out to GP practices by the CQC, said: "[We are] continuing to make savings over the period to 2019/20. There will be a reduction of £32 million in the CQC budget for 2019/20 from 2015/16 when we began our four-year spending review.

"As set out in our strategy, we are also seeking to move to a more responsive, targeted and collaborative approach. As we progress towards this goal we are looking to keep our costs as low as possible and improve our efficiency and effectiveness. This will be reflected in our fees."

Pharmacy price reductions continue to bite

Many community pharmacies are struggling to remain profitable as a result of the latest round of price reductions.

Pharmacy owners are currently dealing with a 17 pence per item price reduction across all category M products, which comes fast on the heels of an existing category M clawback which is not due to finish until the end of July.

Earlier this year, Government figures revealed that 156 community pharmacies across England have closed since the introduction of funding cuts and it is believed that this latest round of price reductions will make trading conditions tougher still for pharmacy owners.

A number of large multiples have already conceded that branch closures have been due to a failure to remain profitable.

Celesio UK, which owns the Lloyds Pharmacy brand, is planning to close 190 stores, with at least 31 of these deemed to be "commercially unviable".

Community pharmacy network, Rowlands, has also admitted that it is currently considering "reducing its branch network" as a result of cuts to pharmacy funding.

An analysis of NHS figures by PharmData revealed that around 2,700 community pharmacies could be at risk of closure in the near future because they are not financially viable.

Despite the risk of widespread closures, a recent poll by YouGov suggested that community pharmacies are still widely valued by members of the public. Its research revealed 91 per cent of respondents would like to see pharmacies on their ideal high street.

Meanwhile, research by the National Pharmacy Association, into the current level of NHS access found more than 90 per cent of respondents wanted more NHS services to be made available in their local pharmacies.

At CHC, we understand the constant challenges faced by community pharmacies. Our team of accountants are highly experienced in the pharmacies sector and can help you keep on top of the wide ranging reforms to the NHS system and the ever-changing regulations affecting the pharmacy sector. We can also provide help and advice on cash flow forecasting, budget and tax estimates and raising finances.

For more information about our specialist accounting and financial services for the pharmacy sector, please contact us.

Excess pension input charges and Lifetime Allowances – are you affected?

An apparent initiative by HM Revenue & Customs (HMRC) is currently reviewing tax returns by medical professionals who are signed up to the NHS Pension Scheme.

David Belbin, a Partner with CHC, says that recent interactions with HMRC indicate that they have commenced a project which involves a review of medical professional tax returns dating between 2012/13 and 2015/16.

He explained: "These enquiries are to ensure that all excess input charges have been included and that the relevant taxes have been paid.

"An Excess Pension Input Charge is levied when the deemed contributions into your NHS Pensions Scheme exceed the maximum contribution level for the relevant tax year.

"The excess over the maximum deemed contribution levels then becomes chargeable to tax at your marginal rate of tax.

"As the benefits in the NHS Providers pension scheme are calculated on your career average earnings, rather than the actual amounts paid into the scheme, the 'deemed' contributions are not the amounts deducted by the NHS from your income, they are the amounts you would need to pay into a 'non-career average earning scheme' to obtain the same increase in benefits as you achieved in the NHS Scheme.

"The deemed contributions by you are calculated by NHS Pensions and they send you a 'Final Annual Allowance Pension Savings Statement' each tax year.

"The issue with this is that the NHS cannot calculate your deemed contribution until your pension certificates have been submitted, processed and your pension record updated.

"This is not always done by the NHS and, when it is calculated, you are advised after the filing date for the tax return in which it should have been included."

David advised: "We have been reassured by HMRC that no penalties will be charged and they will accept late, amended returns with these amounts. They will, however, charge interest on any underpayments of this charge from the normal due date.

"Our advice to anyone who may be affected is to pre-empt any enquiries by contacting the NHS to request your 'Final Annual Allowance Pension Savings Statements' for 2012/13 through to 2015/16."

Medical professionals who have Lifetime Allowance protection in place are also being reminded that they now have the opportunity to apply for Fixed/Individual Protection 2016.

This was introduced when the lifetime allowance threshold was reduced to £1million in April 2016.

David explained: "If you have taken your pension benefits or you withdrew from the NHS pensions scheme before April 2016, fixed protection is available to you. This will fix your Lifetime Allowance at £1.25million, protecting your pension pot up to this threshold from the 55 per cent tax change.

"If you are still contributing to the scheme, Individual Protection is available. This will protect your Lifetime Allowance at the lower of £1.25million or the value of your fund at 5 April 2016. If your fund was in excess of £1million at this time, it's certainly worth looking into this. As an example, if your fund was £1.25million or higher, the saving when taking your benefits would be £137,500.

"My advice to anyone affected would be to contact the NHS to request a Final Annual Allowance Pensions Savings Statement for 2012 through to 2016 and – at the same time – ask for a pension/forecast valuation at 5 April 2016 and also 5 April 2017.

"Using the documents, with the help of an expert accountant, it is possible to ascertain if it is in your interests to apply for Fixed or Individual Protection."

Clemence Hoar Cummings
1 - 5 Como Street,
Romford, Essex
RM7 7DN

T: 01708 333300
E: info@chc.uk.com
W: www.chc.uk.com