

GP Money Matters



Pensions Annual Allowance For 2020/21

From 6th April 2020, there have been some changes in the annual allowance tapering threshold to reduce the tax charges faced by individuals in the higher earnings bracket.

These changes have increased the adjusted income and threshold income by £90,000 each, meaning more income can be earned before tapering of the annual allowance occurs.

The revised figures are as follows:

Adjusted income – Net income before tax with the addition of any pension accrual.

2019/20 - £150,000	2020/21 - £240,000
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Threshold income – Income before tax without the addition of any pension accrual

2019/20 - £110,000	2020/21 - £200,000
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The minimum annual allowance has also been reduced from £10,000 to £4,000 but this will only affect individuals with adjusted income over £300,000.



- Global sum increases from £89.88 to £93.46 per weighted patient
- OOH opt out reduced from 4.87% to 4.77%
- Payment for MMR vaccinations only where a vaccine is administered, at the IOS fee of £10.06, with no payment for the call/recall activity
- QOF value increases from £187.74 to £194.83 per point, but average list increases from 8,479 to 8,799, meaning no additional income generated per point
- QOF points increase from 559 to 567
- Seniority, MPIG and PMS premium payments cease
- New to partnership payment of up to £20,000 per full time new partner including non-GP partners such as nurses and pharmacists plus £3,000 funding for business training
- Expansion of targeted enhanced recruitment scheme offering an incentive of £20,000 to encourage GP trainees to work in under-doctored areas
- Expansion of the induction and refresher scheme to provide more support for returning GPs including cover for childcare costs of up to £2,000 per qualifying child
- Maximum improvement grant level increased to 100% with a reduction in abatement and guaranteed use periods
- Stamp Duty Land Tax reimbursable on the purchase of new surgery premises or land
- VAT on rent payments will be reimbursable
- PCN additional roles reimbursement extended to 100% for eligible staff with number of roles extended
- Additional £120 per bed per year as a care home premium payable to each PCN, reduced to £60 for 2020/21 to reflect implementation from 30 September 2020
- Investment and Impact Fund delayed until October 2020 but instead 27p per weighted patient will be provided to each PCN for 6 months to 30.9.20.

CORONAVIRUS UPDATE

Our offices are now temporarily closed. Members of staff are working remotely from home and can be contacted by email or phone.

Please liaise with your usual contact regarding end of year accounts preparation and records. We want to assure you that Lentells is fully committed to the health and safety of our employees and communities while ensuring minimal disruption to our work and client service during this critical time.

For updates on business finance support please go to <https://www.lentells.co.uk/coronavirus-business-financial-support>

For the latest guidance with regard to COVID -19 and your Payroll service please go to <https://www.lentells.co.uk/services/business/payroll-and-pensions>

For the latest guidance for employees, employers and businesses go to <https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-covid-19/covid-19-support-for-businesses> or call HMRC's helpline 0800 024 1222



Final Pay Controls

A key consideration employers need to think about when deciding on pay rises for staff nearing retirement is the final pay control regulations.

Final pay controls may apply to members of the 1995 section of the NHS Pension scheme (including those who have transferred to the 2015 scheme, but have historic membership in the 1995 scheme), who retire with entitlement to officer benefits or who transfer out of the scheme. This encompasses all employed staff, including salaried GPs, and non-GP partners such as nurses or practice managers, who may experience significant fluctuation in earnings. The controls do not, however apply to death benefits.

So under what circumstances might a final pay control charge be levied? If a staff member receives a pay increase that exceeds the 'allowable amount' (calculated as 4.5% plus CPI) in any of the final 3 years of their pensionable employment, the employer who awarded the pay rise will become liable to a final pay control charge. The CPI figure is based on the amount in February each year.

NHS Pensions is responsible for identifying when there has been a pensionable pay increase exceeding the allowable amount. They will calculate the charge due from the employer, issue an invoice and collect the payment due. As pay increase dates are not recorded, further information will be requested from employers if an excess pay increase is suspected by NHS Pensions.

Final pay control should be considered carefully as charges can be steep (we have seen charges up to £40,000). This will have a significant impact on practice cashflow and partner drawings several years after the original pay rise was awarded. Final pay control calculations do not apply to a member's increase in pensionable pay due to a genuine change in employer – however they do apply when a member of staff is promoted and continues to



Changes To Vaccination And Immunisation Funding

The NHS contract changes for 2020/21 have announced some major reforms in the administration and payments to practices for vaccinations. These will now become an essential service as opposed to an additional service, meaning that they will be available to the entire practice population.

The changes are designed to simplify the way that practices are paid, in particular, by overhauling the current childhood vaccination payment model where historically, if a practice had not met the 70% target for two and five year-old immunisations, no funding was received at all.

The initiative is intended to align vaccination funding by removing the variations in payment rates and enforcing the message that higher activity equals higher funding.

From April 2020 MMR vaccinations will join the majority of other immunisations in being funded at £10.06 only where a vaccination is administered. Funding will no longer be provided for the call/recall activity.

From April 2021, this rate will also apply to the two and five year-old immunisations, providing that practices achieve 80% coverage. If less than the 80% threshold is achieved, then surgeries will be subject to clawbacks of a proportion of their funding. If less than 50% of the population is covered, then no funding will be received.

work for the same employer. The charges do not apply to pay increases given to an employee who is a deferred member of the pension scheme.

Please note that a charge could apply to a 2015 pension scheme member, if they have had a pay increase in any of the final 3 years

Aside from funding, there are also five core components that will need to be met:

- 1) Named lead - all practices will now need to have a named lead for vaccination services. They will be responsible for ensuring that population coverage is maximised and that core standards are met.
- 2) Staffing levels - practices must ensure that levels of trained staff are sufficient to cover appointments for their entire eligible population.
- 3) Call/recall and opportunistic offers – many practices will already have text-based reminders in place, however all practices will need to move towards this in line with national standards.
- 4) National catch-up campaigns – all national catch-up campaigns will need to be participated in. For 2020/21, this will include the MMR service for ten and eleven year-olds.
- 5) Record keeping and reporting – practices will follow defined standards for record keeping and reporting of coverage data.

Help Organise Your Records With The Lentells App

The Lentells app is designed to help clients keep their expenses up to date. As well as helping maintain records of expenses, the app also includes a number of useful financial tools:

- AutoEntry automates data entry by accurately capturing all of your invoices, receipts and expenses and transferring them directly into your chosen accounting software.
- Mileage Tracker (with GPS) allows an accurate record to be maintained of business miles travelled
- Tax tables with all the latest rates
- Direct link to Cloud Accounting software anywhere, anytime
- Inheritance and Capital Gains Tax calculators

The app is free to download from the App Store and Google Play.

prior to retirement, if they also have 1995 pension scheme benefits.

More detail and the steps needed to work out the allowable amount and calculate potential final pay control charge can be found at:
<https://www.nhsbsa.nhs.uk/final-pay-controls>



Vat On Energy Supplies

The standard UK VAT rates remains at 20%, however a reduced rate of 5% can be applied to energy supplies below specified de minimis limits. Although hospitals are excluded from qualifying for the reduced rate, GP surgeries do qualify, and they should therefore check their invoices to confirm the correct VAT rate is being applied.

The de minimis limits are, however fairly low and it seems unlikely that many practices will qualify. The limits are as follows:

Gas

- average of 5 Therms or 145 Kw/h per day or 150 Therms or 4,397 Kw/h per month

Electricity

- average of 33 Kw/h per day or 1,000 Kw/h per month

Oil

- 2,300 litres per delivery

The de minimis limits are available for each property, meaning if a surgery operates from more than one site, each property can be considered in isolation.

Where a GP surgery is not registered for VAT, a reduction in the VAT rate will lead to a direct cost savings. Even where a GP surgery is VAT registered however, a real cost saving may be made, since most surgeries are unable to recover all the VAT on their energy costs.

Publication Of Earnings Changes

Since 2014/15, practices have been required to calculate and include on the practice website the mean total earnings of all relevant GPs and locums who have worked at the practice for more than 6 months during the practice's financial year.

For 2019/20 onwards, it is now an additional requirement for the higher earning GPs, who's pensionable income is over £150,000, to be listed by name and their earnings band. This information will be available for the public to view.

These changes will come into force in October 2020 and the GPs affected will need to declare these earnings in February 2021. This applies to all partners, salaried GPs and locums that have been at the practice for over 6 months during the year ended 31st March 2020.

The threshold will increase in line with inflation each year and this is estimated to be £163,000 by 2023/24.

As a firm we will highlight to each practice where we think a GP will be over this threshold, however as the total is based on pensionable earnings, rather than total earnings, it is unlikely to affect many individual GPs.



PCN Accounts



As Primary Care Networks (PCN) are their own entity, separate from that of the practices that they encompass, accounts should be prepared for each PCN, with the income and expenditure allocated to each practice, primarily based on the list size of each practice. It is expected that accounts will be drawn up to 31 March each year to tie in with the NHS financial year.

The funding available to the PCN will mostly be spent within the PCN, however, some elements of the funding, such as the extended hours, may be distributed to the practices within the PCN.

At the end of each year, the balance of funding not yet spent within the PCN, or already distributed to the practices within the PCN may be paid out, or retained under agreement of the practices to fund specific additional expenditure, which has been committed to at the year end.

The net income per practice will need to be reflected within the individual accounts for each practice, with the gross income and expenditure shown separately. The net income will then become taxable and pensionable on the individual partners, based on their agreed profit shares.

Lentells have prepared a template set of accounts, to show line by line the allocation of income and expenditure to each practice, the money already distributed, and the money held within the PCN accounts yet to be distributed to each practice.



Scheme Pays

Deadlines

In order for a pension scheme member to elect for scheme pays to cover any pension tax charge, NHS Pensions need to receive the scheme pay elections by the following dates:

2018/19	31st July 2020
2019/20	31st July 2021
2020/21	31st July 2022

If the actual annual allowance figures are not known by the deadlines above, a provisional scheme pays election can be submitted and then updated within the next 4 years once the actual amounts are known.

In recent years, NHS Pensions has shown some flexibility in the deadlines in order to allow for issues in member pension records not being updated on time.

19/20 Scheme Pays Special Rules

For 19/20 only, an interim measure was

announced by the government where scheme pays can be used by members at no individual cost to them. This was done in order to try and help with staff shortages in the NHS.

For those wishing to take advantage of this, a scheme pays election will still need to be submitted by the usual deadline of 31 July 2021. On retirement, the scheme pays charge will be factored into the pension calculation, but the government has guaranteed to top up the pension to match the reduction, meaning there will be no impact on the pension (or lump sum) available in retirement.



Changes To Capital Gains Tax Payment Dates

Important changes are coming into effect, meaning capital gains tax (CGT) arising on the sale of residential property will in future need to be paid earlier.

From 6 April 2020, any CGT arising on the disposal of residential properties will be payable within 30 days of the completion date.

If an individual sells a residential property before 5 April 2020, CGT will not be payable in full until January 2021. If the sale completes on or after 6 April 2020 the CGT is due within 30 days!

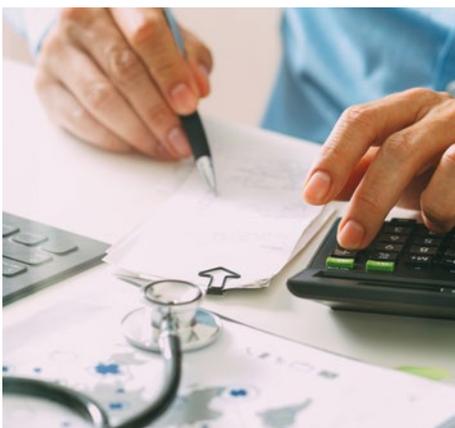
Individuals or trustees selling a residential property will be required to report the

CGT they owe and make a payment on account. HMRC are launching a new online system to enable gains to be reported. Only gains will need reporting to HMRC, so if there is no gain, or the gain is covered by exemptions or losses, the taxpayer will not need to complete a property disposal return.

The taxpayer must calculate the CGT due taking into account their annual exemption for the year and estimating the correct rate of CGT to apply (currently 18% basic rate or 28% higher rate - for residential property).

After the end of the tax year, the taxpayer will complete their self-assessment tax return, including the property gain. Once their full income, gains and losses for the year are calculated, the final amount of CGT will be ascertained and any "on account" payment will be deducted.

Failure to report and pay any CGT on time is likely to lead to interest and potentially a penalty.



PCN Funding Update

For 2020/21, the funding for the Primary Care Network (PCN) baseline will continue at £1.50 per raw patient, the clinical director will be funded by £0.722 per raw patient, and extended hours will be paid at £1.45 per raw patient.

Additional funding will be available for care home premium, at £120 per annum per bed, which commences in October 2020, so only £60 per bed will be received in the 2020/21 NHS year.

Additional Roles Reimbursement Scheme (ARRS) will fund up to 100% of the cost of employing most clinical roles employed as part of the PCN, up to a maximum amount per role, with £430 million being available for this nationally.

It was planned that the investment and impact fund would be paid as an achievement payment at the end of 2020/21, but this is being reassessed due to the coronavirus situation. 27p per weighted patient will now be paid to each PCN for the 6 month period April to September 2020, at which point the scheme will be reassessed.

In addition to this, practices will continue to be paid the £1.761 per weighted patient for participation in the PCN scheme.

How to contact us



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