

ASK THE EXPERTS

Pension tax, locums and VAT registering

Q PENSION TAX RULES

I am a GP who will be 61 at the end of this month when I will take 24-hour retirement. I intend to finally retire at 65 and I would like to use my employee and employer superannuation contributions for two years from 1 June 2009 to pay into a stakeholder pension scheme.

Could I rejoin the new NHS pension scheme (NHSPS) in June 2011 and use the stakeholder pension accrued towards the cost of an additional £5,000 a year NHS pension?

My earnings fluctuate but are in the region of £150,000 a year and I wonder how my plan will be affected by the new rules on pension tax allowances.

Members of the pre-1 April 2008 NHSPS retiring after 1 April 2008 and before 1 July 2009 (including 24-hour retirement)

will have the option to join the new NHSPS two years from the date of retiring.

Subject to HM Revenue & Customs approval, it is possible to transfer previous NHS pension rights into the new NHSPS. This is provided that an application is made within 12 months of becoming eligible to join it for the first time and before normal retirement age, which is 65.

Transferred benefits would buy standard scheme benefit but it is not possible to buy NHS additional pension benefits.

This year's budget proposed that, from 22 April 2009, individuals with earnings of £150,000 or more in either 2009/10 or the two previous tax years will be subject to a 'special annual allowance tax charge' if they change their normal pattern of regular pension contributions

and their total contributions exceed £20,000 a year.

Normal, regular ongoing pension contributions (including into the NHSPS) paid under arrangements set up before 22 April 2009 should not be affected - only additional savings.

Where these conditions are not met, the special annual allowance tax charge, which will be collected via the self assessment tax return, will restrict tax relief on additional pension contributions made on or after 22 April 2009 to the basic rate.

Factors to take into account when choosing a stakeholder scheme should include scheme

charges (some stakeholder schemes are more competitive than others), fund choice, provider's service and provider's financial strength.

Kevin Quinn

Q LOCUMS AND VAT

I am about to start working as a locum GP. My accountant says that if I earn over £68,000 a year I will have to register for VAT.

Is that true? Other GP locums I have asked do not think so.

Medical services that are intended principally to protect, maintain or restore the health of an individual are exempt

from VAT. Therefore, on the basis of doing only GP locum work, if your income exceeds £68,000 you do not need to register.

You would only need to register for VAT if you were carrying out medical services where the principal purpose is to enable a third party to take a decision (medico-legal work, for example) and your earnings from that exceed the VAT threshold.

Jenny Stone

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