



## PMS Reviews by Laurence Slavin

A PMS contract allows a practice to enter into a locally negotiated contract sensitive to the local needs of their population.

To fund the local needs of the contract, practices could request additional funding for salaried GPs and/or nurse practitioners. If successful, the practice was paid £60,000 per salaried GP and £30,000 per nurse practitioner. This funding is called "growth" funding or "development" funding. Shortages of GPs and nurses led the Department of Health (DoH) to relax the requirement to spend the growth money on GPs and nurse practitioners, provided the services promised were delivered.

While John Hutton was Health Secretary, he famously made an announcement reassuring PMS GPs that their contracts would not be unpicked and that they would be allowed to continue for the foreseeable future. Subsequently, the DoH wrote to PCTs requiring them to aggressively constrain spending on PMS contracts. That is the background to this process.

### The Process – An Overview

The process adopted by PCTs is as follows:

- The PCT announce a review of PMS contracts
- The PCT issue a new PMS contract with new conditions and Key Performance Indicators (KPIs)
- The PCT announce a new uniform level of payment per patient
- Various meetings held with practices
- PCT implement new contract terms

The practice will need to consider:

- The additional services that will be needed to meet the new contract
- How much the additional services will cost
- The effect of the new funding of the practice finances
- Need for redundancies and retrenchment
- Reversing back into GMS

### The Process – In Detail

#### The PCT announce a review of PMS contracts

A realistic timetable must be set up for the process. A PMS practice may be paid for services within its agreed baseline, which

currently would be paid as an enhanced service. Age 2 and 5 targets for childhood immunisations are often paid within the baseline. Every practice will need to be reviewed and the components of the baseline agreed between the practice and the PCT. Most reviews take between 12 and 18 months. Surprisingly, Greenwich PCT gave a presentation to their practices on 4th February 2010 announcing that they expected new PMS contracts to be in place by 1st April 2010.

#### The PCT issue a new PMS contract with new conditions and Key Performance Indicators (KPIs)

This is really outside the scope of this article, but it is important to look at the terms of the contract. PMS GPs have a right of return to GMS. This right is in the core NHS regulations and is sometimes omitted from the local PMS contract. The regulations may change, therefore ensure the right to return is included in the local PMS contract.

#### The PCT announce a new uniform level of payment per patient

Typically, the PCT looks at the range of payments per patient (including the baseline and growth, excluding QoF and enhanced services) and pick a payment rate near the mid-point, but Greenwich PCT is believed to be selecting a point towards the lower end of the range. A typical range is between £65 and £155 per patient. Just because a practice receives more income than average does not necessarily mean that they are earning more profits than average. A highly respected practice in an inner city environment currently receiving more than £155 per patient actually earns less profits than the average GP. Not only is the process similar across PCTs, but the amount of funding chosen by PCTs is similar. Haringey PCT have agreed a payment of £79 per patient, Bexley PCT have agreed a payment of £75 per patient and Surrey PCT are

implementing a payment of £70 per patient.

What about practices currently earning less than the new price per patient? Some PCTs bring those underfunded practices up to the new level, (Haringey and Bexley have done this), but others are resisting. Surrey PCT is currently reviewing its decision not to bring its underfunded PMS practices up to the £70 per patient.

One of the justifications for such a PMS review is to bring in parity with GMS practices, however, PMS practices lose 105 QoF points. The PCT should be asked to increase the funding to reinstate the loss of the QoF points. Bexley PCT have effectively done this by adding in a payment of £3 per patient. Surrey PCT took a more intransigent line stating that it was "impossible" and "against the regulations".

#### Various meetings held with practices

These meetings are not an open negotiation. There is no point holding up John Hutton's letter protesting at the unpicking of your budget as it will get you nowhere.

#### PCT implement new contract terms

Once the terms have been agreed, the implementation can be discussed. Haringey PCT phased in the effects of a reduction in payments per patient over a five year period. Surrey PCT are considering a similar phased introduction.

#### Effect on the PMS practice

The effect is likely to be significant. In the case of the practice being paid £155 per patient mentioned above, the reduction to £75 would wipe out all of their profits. In many cases, the PMS practice will need to consider whether to absorb the reduction in funding in their profits, or reduce practice expenditure by reducing services. In most cases, there will be a mixture of the two.

	Haringey PCT	Surrey PCT	Bexley PCT
Payment per patient	£79	£70	£75
105 QoF points recovered?	No	No	Yes
Lower paid practices brought up to payment per patient?	Yes	No	Yes



# Global Economic Crisis!

## Are you confident in your finances?

by Kevin Quinn

The impact of the global economic crisis has been startling and rapid. In October 2007, the UK stock market was trading close to its all time high, mortgages were relatively easy to come by and the number of people claiming unemployment benefits was lower than today.

Just over two and a half years later, however, the position is markedly different. Economic confidence is fragile, the UK stock market is lower despite a significant rally during the past year, mortgages are much harder to obtain and industrial disputes are increasing as evidenced by the recent BA cabin crew strikes and the threat of national rail strikes. Could we be in for a summer of discontent?

During this period, we have also seen previously unimaginable events occurring, such as major UK high street banks being taken into full or partial government ownership; Northern Rock, Bradford & Bingley, Lloyds Banking Group and Royal Bank of Scotland Group. In the US, we have seen the collapse of Lehman Brothers and the bailout of Fannie May, Freddie Mac and AIG, to name just a few.

### Where to next?

The experiences of the past few years have shown us, in no uncertain terms, just how quickly economic and political environments and sentiment can change, however, opinions vary widely as to the depth of the economic crisis and how long the recovery will take. This is perhaps not surprising given that we are in the middle of an unprecedented "financial experiment" as evidenced by the extraordinary monetary and fiscal stimulus packages implemented by world governments and central banks. These interventions have been described by Mervyn King, Governor of the Bank of England, as representing "a massive sticking plaster on the wounds" of the crisis.

Unsurprisingly, this "sticking plaster" has significant financial implications and UK debt has risen sharply during the past few years and is anticipated to keep on rising. The cost of servicing and repaying this debt will be high and all of the main political parties have acknowledged that this will require significant spending cuts and increases in taxation.

We are already seeing evidence of this with the effective zero per cent pay review uplift for consultants and net GP pay this tax year and the government has announced its intention to achieve annual savings of £11 billion across government departments (including the DoH). There is now a 50% income tax rate for those with taxable income in excess of £150,000, the personal allowance (which

provides a level of tax free income) is reduced for those with "adjusted net income" over £100,000 and additionally pension tax relief is restricted for those with "relevant income" of £130,000 or more.

These are just a few examples of the financial ramifications of the crisis and who knows what further public spending cuts and tax raising measures might be introduced after the election? As Mervyn King commented earlier this year, "the patience of UK households is likely to be sorely tried over the next couple of years. There is little scope for growth in real take-home pay, which may remain weak even as output recovers".

### Review, rethink and restructure your finances

Whilst individuals are unable to directly influence the greater economic events, they can and should ensure that they take control of their own personal finances and resources. From a financial planning perspective, this means arranging your affairs to protect against unforeseen economic circumstances and organising your personal resources so that sufficient liquidity is in place, ensuring that you are not over exposed to any one asset class or sector of the economy and implementing sensible tax planning strategies (especially in light of the government's need to increase tax revenues).

The starting point for any strategy or plan is to know where you are and where you are trying to get to so that you can plan the best route. Financial planning enables individuals

to achieve their goals and objectives by design rather than by accident!

Many of our clients are medical professionals and they will also be faced with decisions specific to them. For example, over the next year or so, most NHS staff will receive an NHS Pension Choice pack offering them the opportunity to join the "new" NHS Pension Scheme (2008 Section). Once implemented, this choice cannot be reversed, so it vital that members make the decision based on their personal circumstances to avoid losing out financially.

With the current uncertain economic outlook, higher rates of taxation, restrictions on tax planning schemes and the need to make decisions that will have lifelong financial consequences, it is important that you take action and speak to your financial adviser sooner rather than later so that you are not only confident in your own financial position, but also can avoid paying more tax than is necessary.

If you do not have an adviser, Ramsay Brown Financial Services Limited are a firm of Chartered Financial Planners who specialise in providing fee based comprehensive financial planning services to members of the medical profession. If you would like a chat to see how we may be able to help you further, then please feel free to call me on 020 8370 7716 or Stephen Caps on 020 8370 7715.

### The Ramsay Brown Website

Please take a look at our website which is constantly updated.

You can access our website at [www.ramsaybrown.co.uk](http://www.ramsaybrown.co.uk) where you can log in to check your tax liabilities, download personal expenses claim forms, recent newsletters and other useful information.

### Accessing your tax liabilities

If we have prepared your tax return, we will have written to you detailing your tax liabilities.

You can also check your liabilities via our "client tax login" area on our website. To do this, you will need your ten digit reference number, which appears on your tax return and your date of birth. You can also download a payslip and envelope if you do not receive these from the Inland Revenue.

### Latest News Area

You can download personal expenses claim forms, recent newsletters and other useful information via our latest news area.



# How to Manage Your Personal Expenses

by Juliet Barnett

Self-employed GPs can claim personal expenses which are incurred wholly and exclusively for business which can reduce their tax liability.

## Motor Expenses

A percentage of all expenses relating to running a car can be claimed. These include petrol, insurance, road tax, servicing, repairs and cleaning, but not parking fines. If your car has been purchased on hire purchase or you have a loan, then a percentage of the interest can also be claimed. It is important to give your accountant a copy of the hire purchase or loan agreement. The percentage claimed must reflect the business use element of the car. If you have a permanent place of work, travelling from home to the surgery is classed as private use and only journeys to patients' homes, hospitals and other work-related places can be claimed. If you buy a new car, it is important to let your accountant know the CO2 emissions which can be found on the registration certificate.

## Capital Allowances on cost of Motor Car

A claim can be made for the wear and tear of the vehicle and this is known as capital allowances. Cars purchased prior to 5th April 2009 will continue to be written down at 20% regardless of CO2 emissions unless the cost is over £12,000, in which case a £3,000 restriction applies. For cars purchased after 5th April 2009, the amount you can claim depends on the CO2 emissions, which is as follows:

For cars emitting no more than 110g/km, with you as the first registered owner, you can claim 100% of the cost of the car, restricted to the business use.

For cars emitting between 110g/km and 159g/km, the claim is 20% of the cost, restricted to the business use.

For cars emitting over 160g/km, the claim is 10% of the cost, restricted to the business use.

## Professional use of home

A claim can be made as the majority of GPs will do some work at home and there are various ways to claim. Some accountants use a fixed amount per week, whilst others calculate it specifically using a percentage of the running costs of their home. Many GPs think that, if they do claim, there is a capital gains implication when they sell their house. This will not be the case as long as the room is not used exclusively for work.

## Telephone and Computer Expenses

A claim can be made for the use of home telephone, mobile, use of a computer at home and internet costs if these are used for business purposes. However, only the business use element of the costs can be claimed. If you purchase computer equipment, you will usually be able to claim 100% capital allowances, restricted to the business use. Each practice can claim 100% capital allowances up to an annual investment limit of £100,000 (09/10 : £50,000) and partners' personal purchases are part of this limit.

## Courses and Conferences (including travel and accommodation)

Courses for updating existing knowledge can be claimed in full, together with travelling and accommodation costs, as long as you do not take a holiday or sightseeing on to the end of the trip.

Course/exam fees for acquiring a new qualification are not allowable for tax.

## Spouse's Salary

This can still be claimed, but only in certain circumstances. Firstly, your spouse must be helping you with your work and you must pay them a salary, preferably monthly. It is recommended that you have a job description, indicating the type of work and number of hours worked per week and the pay should be realistic for the work done. It is always an area that HM Revenue & Customs (HMRC) inspectors like to look at, therefore it needs to be set up correctly.

## Other Expenses

A claim can also be made for medical subscriptions, drugs and instruments, medical books, journals, locum costs, postage and stationery and locum insurance (that covers you if sickness prevents you from working). You cannot claim for clothes that you wear to work, however, you can claim the cost of dry cleaning.

## Private Earnings

It is important that you specify whether any income you have earned outside your practice is NHS or non-NHS related as this is required when completing your end of year pensionable profit certificate. If any of the NHS income has already had superannuation deducted, you will need to provide your accountant with the GP Solo forms so that the gross income can be declared and the superannuation deductions claimed on your tax return. If you are not automatically sent GP Solo forms from your place of work, you will need to request them. It is important that you keep all payslips and give these to your accountant.

## Record Keeping

You must keep all invoices relating to any claim for tax purposes for a minimum of seven years, however, if receipts have been lost, reasonable estimates can be made.

One of the simplest ways of keeping some of your records, particularly motor expenses, is to have a separate credit card. HMRC will accept the credit card statements as evidence and this will, at least, mean that you have a record of expenses if you lose the receipts. The credit card should be used for as many business related items as possible.

## Partnership Tax Return

The partnership tax return incorporates the practice accounts and each partner's expenses claim. It is for your own benefit to compile your expenses as quickly after the year end as possible so this does not delay the completion

of the tax return. If a partnership tax return is filed after the deadline, each partner will receive a £100 penalty.

## Tips for Managing your Expenses:

1. Know what expenses you can claim for tax relief.
2. Keep records and receipts of all expenses claimed.
3. Keep a business mileage log for a typical month so that a reasonable claim can be made for motor expenses. This can also be used as evidence to support your claim.
4. Make reasonable claims for business use so that you are happy that you can justify to an HMRC inspector in the event of an enquiry.
5. Complete your expenses as soon after the year end as possible so that this does not delay completion of the partnership tax return and your own tax return.
6. Try not to use estimated expenses as these could be less than the actual amount spent and an inspector may disallow these if they are not supported by evidence.

## Locums

As locums are also self-employed, they will be able to claim the same expenses as GP principals. The only difference will be the business use element of expenses. As a locum has no permanent place of work, their business address is their home, therefore they will be able to claim travelling from home to the different surgeries as business travel.

## Salaried GPs

Employed GPs can only claim expenses that are wholly, exclusively and necessarily in the performance of their duties, therefore it is much more difficult to claim expenses if you are employed. Expenses that can be claimed are medical subscriptions. Business mileage can be claimed for home visits and this will be based on HMRC's fixed profit car scheme rates, therefore it is important that a business mileage record is kept. You can also claim for drugs and medical instruments. For any expenses claimed, you will also need to keep all receipts as evidence.



## Tax Investigation Service (TIS)

A service we provide exclusively to our clients to protect them against paying additional accountancy fees in the event of them coming under scrutiny of an HM Revenue & Customs investigation.

For more details, please contact  
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# Tax – Are You Making The Most Of Our Services?

by Nimita Patel & Barry Walpole

In general, most people feel it is more prudent to plan ahead as opposed to leaving things to chance.

For example, people like to have their cars serviced regularly to try and help prevent unexpected events from occurring in the future. The same could easily be applied to tax and as a result, we encourage our clients to send their tax information in at the earliest opportunity once the tax year commences.

There are many reasons why we encourage our clients to send in their information as early as possible and below are a few advantageous illustrations of taking such action.

Firstly, once all of the tax information is received, we are able to finalise tax returns and provide our clients with their tax liabilities at an early stage. This is highly advantageous for tax planning purposes, such as considering additional pension contributions and also, clients are able to plan their cash flow.

Another factor of preparing an early tax return is that, if you expect your income stream to fall in the current year, it will give us enough time to be able to reduce your payments on account and once we finalise your tax return, we can establish your total tax liabilities for the year. Therefore, if your total tax for the current year is less than the previous year, you should be due a tax refund and hence we can adjust your payment on account due in July accordingly. In short, we can reduce your July instalment to reflect the overpaid tax.

In order to help us do this efficiently, it is imperative that all of the information is received in its entirety as this will allow us to deliver your tax return on a more timely basis. In turn, this is likely to avoid unnecessary call backs, omissions and may even help prevent enquiries from HM Revenue & Customs (HMRC).

Following on from the previous paragraph, information request forms are sent out at the beginning of each tax year and many clients are not taking advantage of the standard forms that are being provided to them. These standard forms are designed to facilitate the process for both our tax department and also our clients.



We would like to take this opportunity to welcome Barry Walpole to our tax department. He previously worked in our accounts department for seven years.

This year, we have e-mailed the information request forms to all of our clients who have provided us with an e-mail address. We encourage our clients to make use of electronic technology as electronic communication can be used in many ways, such as sending e-mails via computer or mobile phones. Clients can, therefore, take advantage of this by scanning information and sending various attachments, e.g. Word/Excel documents. This form of communication has many benefits, which include savings on postage and paper costs, timeliness, clarity of information sent and the ability to communicate outside of normal working hours.

In addition to the above, we encourage our clients to utilise the facilities available on our website. Our website allows you to download tax returns and expenses forms such as personal, locum and rental income and expenses forms.

## The website also contains the following:

### Newsletters

- You can find previous issues of our newsletters that may be of use

### Articles

- How self-employed GPs are taxed
- All you need to know about joining a partnership
- How to manage your personal expenses for tax purposes and many more

### Understanding Accounts and Taxation

- This is a downloadable file that contains very useful information on a whole host of topics and is a must see

### VAT on Medical Services

- Frequently asked questions, forms and examples

### Setting up Financial Systems

- Download examples of cash flow, cash books and other bookkeeping, etc.

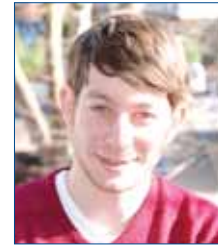
### Pensions and Superannuation

- Useful examples, questions and answers and a downloadable spreadsheet

### Seminar Notes

- Downloadable Power Point notes from presentations held by the partners of Ramsay Brown and Partners

## Staff profile



Name:  
Bradley Oliver Singer

Date and Place of Birth:  
19th November 1988, Chase Farm Hospital, Enfield

Job Title:  
Trainee Accountant

When you were a child, what did you want to be when you grew up?  
A footballer

Give 3 words that describe you:  
Kind, caring and outgoing

If you could invite up to 3 people to dinner (alive or dead), who would they be?  
Dean Martin, Frank Sinatra and Sammy Davis Junior (The Rat Pack)

What won't you leave home without? My phone, keys and wallet

What is the last book you read?  
Of Mice and Men

What is your secret vice?  
Going to every Arsenal home, away and European game

What is your greatest ambition?  
To run the London Marathon

People would be surprised to know that I did three months' Army service in Israel

What is your favourite quote?  
*"Everything happens for a reason"*

What is your favourite movie?  
The Lion King

### IMPORTANT WARNING

There have been numerous fraudulent e-mails being circulated purporting to be from HM Revenue & Customs (HMRC) advising that a repayment is due.

At present, HMRC do not contact via e-mail regarding such matters, therefore please do not respond, but delete it immediately.



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### FEEDBACK:

Please send views and comments regarding any of these articles to: info@ramsaybrown.co.uk

Thanks to Julia Hoad for editing this newsletter.