Ramsay Brown & Partners

GP News

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Practice Based Commissioning (PBC)

by Laurence Slavin

Since April 2005, practices have been able to hold budgets to commission a greater range of services for their patients.

The thinking behind this is that GPs will be able to redesign the services that are provided for their patients to better suit the needs of their patients. The agreement that will form the basis of this arrangement will be with their Primary Care Trust (PCT). The intention is that such an agreement will be flexible to enable it to reflect the local needs and resources.

Practices will be able to commission alone or in groups. The advantage of commissioning as a group is that it improves efficiency, recognises economies of scale and facilitates the redesign of services. These groups will be referred to as localities. This will create a more powerful commissioning body. The larger the organisation, the more the risk of overspending is reduced. Those of you who can remember fundholding will recall that, initially, a fundholding practice or consortium had to have 11,500 patients, a figure that was set to reduce such risks. No such limit is suggested with Practice Based Commissioning.

The scope of the budget will be up to the practice to determine. It is expected that the practice and localities (groups of GPs) will start with a limited range of services and develop the range of services with experience. Like PCTs, practices or localities that hold a budget have a duty to obtain good value. It is stressed that there should not be any real or perceived conflicts of interest.

Although fundholding was mentioned above, there are a number of distinctions with fundholding. There are no new resources going to practices who take up commissioning. With fundholding, hospitals offered a lowest price in order to gain a contract. This will not be possible under commissioning following the introduction of a single national tariff.

There is mention, in the technical guidance, of management costs funded by the PCT. It is acknowledged that adequate levels of management support are vital to the success of the scheme and it is suggested that the initial costs will be provided in advance from the PCT and recouped from resources freed up at the end of each financial year. Quite how this will work in practice remains uncertain and will probably vary from PCT to PCT.

The budget will be based on financial data from 2003/04 with appropriate uplifts for both demand and the change in list composition to 2004/05. The intention is that, from 2006/07, a "fair share" approach will be taken in calculating budgets and practices will move away from a historic baseline calculation. It is expected that a practice will be able to balance its budget over a three year period with overspends in one year being offset by underspends in another. If they are unable to balance their budget in three years, they forfeit the right to hold an indicative budget for three years.

If the practice is unable to agree a budget at a local level, the practice can claim a right to a default commissioning budget. For 2005/06, this default budget will only cover elective in-patient and day case activity, as these are the only services currently covered by the national tariff.

GPs will be able to keep up to 100% of their savings, an increase from the original limit of 50%. The savings must be reinvested in developing or providing services for patients, such as more specialist care, diagnostics, equipment, facilities or staff. The technical guidance explains that expenditure on capital projects (presumably including premises) is not precluded provided a wider range of services is provided to the practice population.

At the start of each financial period, practices or localities should draw up an agreement explaining how they intend to use any efficiency gains. The PEC will then make a recommendation to the PCT board. In order to avoid any conflict of interest, it is expected that the PEC will ensure total transparency in their dealings with the board. Quite how the transparency works is up to the PEC and PCT to decide.

There are a number of criteria that the PEC will use in deciding whether they can recommend the practices plans to the board. These will include:

- The contribution the plans make to patient demand, national targets and the finances of the PCT
- Benefits to patients
- Extent that the proposals solve a problem
- The element of risk
- The anticipated health gains
- How appropriate and effective the care will be
- Value for money
- That the practices have agreement from other health professionals
- Front line staff have been involved in commissioning decisions

The extent of the success of practice based commissioning, both in terms of patients and practices, is difficult to predict. In the past, those practices that have been at the forefront of innovation have been those that have benefited most. There is no reason to suggest that this will be any different.

Seasonal gifts at Christmas and the tax implications

by Jenny Stone

At this time of year, it is common for practices to make gifts to their staff. Unfortunately, these are likely to have tax implications. A gift given to an employee by virtue of their employment with the practice is a benefit in kind and would normally be taxable.

Vouchers

A common misunderstanding among practices is that vouchers can be given to staff tax free. Unfortunately, the Inland Revenue view these as being the equivalent of cash. Vouchers given to staff will be subject to PAYE and National Insurance as a benefit in kind.

Benefits in kind should be declared on a P11D form for each member of staff and the practice will be required to pay employer's National Insurance on the benefit at 12.8%. Employees who receive a P11D should inform the Inland Revenue of this benefit so that the Inland Revenue can collect the tax on this by adjusting their tax code. If the Inland Revenue are not informed, then a tax return should be completed to declare the benefit and tax paid on this. This can be a lot of administration and hassle for both the employee and employer when the amount of the voucher will be very small.

Practices who wish to give vouchers and do not want the burden of completing P11D forms, or staff losing the tax, could arrange a PAYE Settlement Agreement (PSA) with the Inland Revenue. This is an arrangement whereby certain small benefits or irregular benefits being put through the payroll would be impractical. This arrangement allows these benefits to be excluded from the deduction working sheets or P11Ds. Practices then calculate the tax and National Insurance on the grossed up amount of the voucher and pay this over to the Inland Revenue.

PAYE Settlement Agreements are expensive for practices. For example, if a practice gave a member of staff, who is a basic rate taxpayer, a voucher worth £50, the practice would pay £22 in tax and National Insurance. If the member of staff was a higher rate taxpayer, then it would cost the practice £44 in tax and National Insurance. Therefore, a gift of £50 could cost the practice £94.

Christmas Parties

Practices can spend up to £150 per person on a Christmas party and this amount would be exempt for tax purposes. The Christmas party must be available to all members of staff and the total cost should not exceed £150 per head of those attending. This amount includes staff and their spouses.

The £150 per head is an annual amount, therefore practices could provide staff with a Christmas party and a summer BBQ and there would be no taxable benefit as long as the total amount did not exceed £150 per head.

Where the cost of an event exceeds £150 per head, then the whole amount becomes taxable on the member of staff as a benefit in kind.

Christmas Bonuses

Bonuses paid to staff, whether in cash or cheque, need to be included on the payroll to ensure that the PAYE and National Insurance is paid on them.

Tax Free Seasonal Gifts

If you want to give a seasonal gift, you can give a turkey and a bottle of wine free of any tax.

However, gifts over and above the mentioned items, e.g. case of wine, hampers, etc. would be considered as a benefit in kind and the value would need to be included on a P11D.

PAYE Investigations

The Inland Revenue carry out PAYE investigations to ensure practices are correctly dealing with their payroll and declaring benefits. They will look at all your records and if they pick up on vouchers given to staff that have not been declared, tax and National Insurance will be payable including interest and penalties. The Inland Revenue could also go back to earlier years. It is important that you are correctly dealing with staff vouchers and bonuses through the payroll.

Effect of superannuation shortfall on a practice's cash flow

by Jenny Stone

The deadline for submitting the certificates of superannuable profits is fast approaching and practices need to be prepared for any balance of superannuation which will be due. The certificates need to be submitted to your PCT by 28th February 2006 at the latest.

Once the PCT has received your certificate, they will compare the actual amount of superannuation due on your superannuable profits to the deductions that they have made between April 2004 and March 2005 and any balance will then become payable. It is important to remember that the balance is not just your 6% contribution, but also the employer's 14% contribution and added years or AVCs if applicable. We would have already advised you of the potential balance of superannuation due when your accounts for 2004/05 were completed.

It is our understanding that, as soon as the certificates are submitted, the PCT will aim to collect the balance of superannuation the following month in one go. We are also aware of one PCT that will not only be collecting the balance for 2004/05, but is also adjusting the estimate of superannuable profits for 2005/06 and collecting the arrears from April 2005 to date. If all PCTs are intending to do this then, for some practices, this could be a significant amount of money. You need to ensure that you have the funds available if you submit the certificate before the deadline.

You can only claim tax relief on superannuation contributions when the payment is made.

It is likely that, if the balance is paid before 5th April 2006, you will receive the tax relief on this in 2005/06. If paid after this date, you will delay the tax relief for a further year.

Example

A single-handed GP estimated his superannuable profits as £100,000 and the PCT have been making monthly deductions for employees' contributions (6%) of £500 per month and for employer's contribution (14%) of £1,166 since April 2004.

The certificate of superannuable profits has been completed and the actual amount is £150,000. The total balance of superannuation is £10,000 (£50,000 x 20%) and this is split between the amount for employees' contribuitons (6%) of £3,000 and for employer's contributions (14%) of £7,000.

The PCT has continued to make deductions in 2005/06 based on £100,000. Therefore if they adjust these deductions to be based on £150,000, they should have collected £750 each month for employees' contributions and £1,750 each month for employer's contributions. If they adjust these deductions and collect the arrears from April to December 2005, then there will be a further amount due of £7,506, split between employees (6%) £2,250 and employers (14%) £5,256. Thereafter, the increased monthly deductions will be £2,500, i.e. £750 for employees (6%) and £1,750 for employers (14%).

This GP would have a total balance for 2004/05 plus arrears for 2005/06 of £17,506.

Accessing your tax liabilities via our website

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 login area on our website www.ramsaybrown.co.uk 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 prepaid envelope if you do not receive this from the Inland Revenue.

Remember that your tax is due by 31st January 2006.

If you still have not sent your tax return information to us, please do so as soon as possible. If your tax return is not submitted by 31st January 2006 you will be liable to a £100 penalty.

VAT on medical reports by Lisa Mascarenhas

Historically, HM Revenue & Customs (HMRC) have sought to apply a wide definition to the scope of the medical exemption. However, a recent European judgement on a medical services case ruled that the exemption is limited to medical services that are intended principally to protect the health of the person concerned. This means that certain medical reports will become VAT-able and some practices will need to register for VAT, although it will only be those practices with earnings over the VAT threshold, which is currently £60,000.

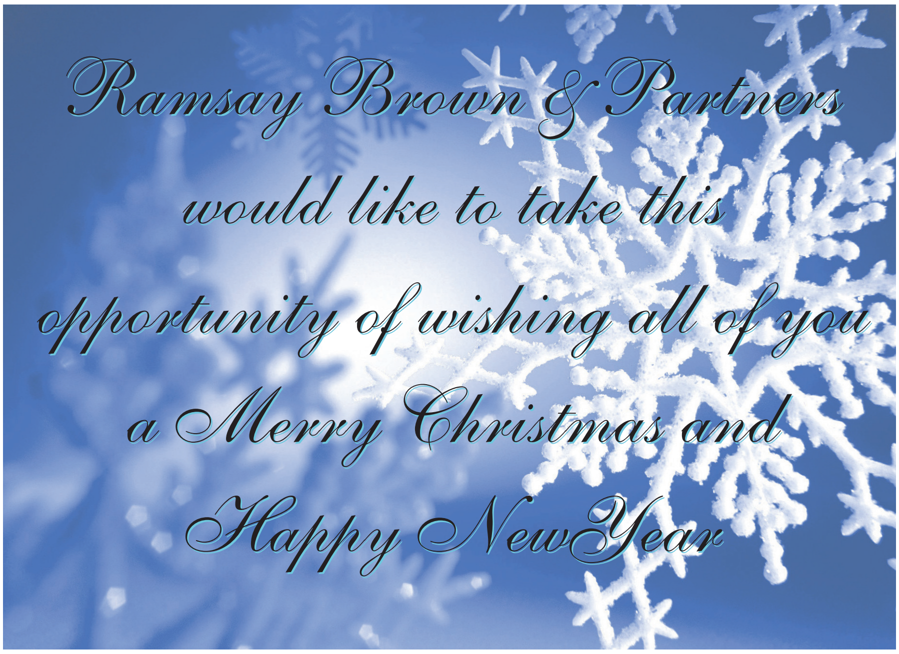
Specific services which have been identified as not intended to protect an individual's health and which will become VAT-able are:

- Certificate for an individual's medical condition for entitlement to a war pension or incapacity benefit
- Medical examinations conducted for preparing an expert medical report for personal injury litigation
- Medical reports based on medical notes without conducting a medical examination
- Pre-employment medicals

HMRC are currently consulting on this issue and at present, there is no implementation date, although 1st April 2006 has been suggested as a possible date.

Practices should review their income to identify what amounts may fall outside the VAT exemption and whether this amount will exceed the VAT threshold, meaning they would need to register for VAT.

If you think you are going to exceed the VAT threshold, then please contact us.



Staff profile

Name :
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30th August 1974, Cyprus

Job Title:
Accountant

As a child, what did you want to be when you grew up?
A Policeman

Give three words that describe you:
Shy, helpful, loud

If you could invite three people to dinner (alive or dead), who would they be?
My father, Bill Clinton, Claudia Schiffer

What won't you leave home without?
My credit card

What was the last book you read?
1421 The Year China Discovered the World

What is your secret vice?
It's a secret!

What is your greatest ambition?
To build a guest house in my father's village in Cyprus

People would be surprised to know that…...
I am planning to move to France

What is your favourite quotation?
"A little of everything in moderation"

What is your favourite film?
Ivanhoe

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