Clemence Hoar Cummings
Chartered Accountants and Business Advisors

Focus on Healthcare

Spring 2022 Edition

Hanging on the telephone? HMRC deals with backlog by shuttering phone lines

Plus

- Could a salary sacrifice scheme help you retain staff?
- Preparing your practice for sale – here's what you need to consider

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.

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

Hanging on the telephone? HMRC deals with backlog by shuttering phone lines

If you have been trying, in vain, to reach HM Revenue & Customs (HMRC) by phone recently and have been left frustrated and unable to speak to a member of their team – you are not alone!

A surge of enquiries since the pandemic has led to HMRC having to prioritise its essential services by temporarily closing some of its telephone hotlines.

In recent weeks, it has been focusing on stabilising its phone service and tax credits/child benefits and has taken extra steps to meet its targets and support those customers most at risk.

Late last year, the tax authority ran a test on closing their Corporation Tax (CT) and VAT helplines (except bereavement) to assess the impact across three Fridays – using the time gained to clear a backlog of other enquiries.

Based on the success of these tests the CT and VAT telephony lines were also "shuttered" as part of a "telephony shuttering exercise" on Fridays throughout March.

Although it is hoped that services will resume soon, HMRC has not yet confirmed if all work backlogs are now cleared.

In the meantime, if you or your practice has a HMRC query, we are happy to assist. We may be able to answer the query without HMRC's involvement and, if we are unable to do so, we will endeavour to contact HMRC on your behalf.

Could a salary sacrifice scheme help you retain staff?

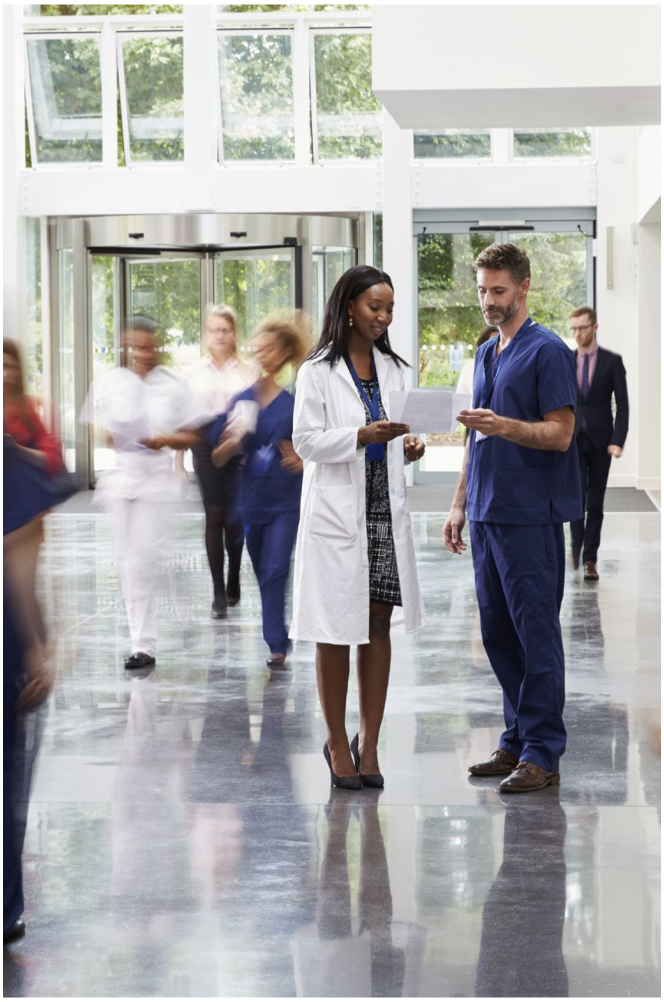
While the national job vacancy boom is good news for job seekers, it could be a nightmare for GPs, pharmacies, and dental practices keen on retaining high-quality support staff.

Whilst a pay rise is always welcome, it may not always be the most tax or National Insurance efficient approach when compared with other benefits, including salary sacrifice, that could be as effective in persuading key employees to stay put.

Salary sacrifice enables employees to exchange part of their salary for a non-cash benefit from their employer, such as increased pension contributions, mobile phones and bus passes or even funding a new car.

Other examples of common salary sacrifice benefits include:

- Childcare vouchers
- Cycle to work scheme
- Car hire/lease scheme
- On-site nurseries
- Car parking
- Gym membership
- Pre-paid store cards
- Personal learning



For each salary sacrifice arrangement, both parties must agree on what the cash value of the benefits on offer is worth to ensure the benefit fairly compensates the employee for their loss of income.

Sacrifice arrangements tend to remain in place for at least 12 months unless the employee experiences a lifestyle change.

Effect on tax and National Insurance contributions

The impact on tax and National Insurance contributions payable for any employee will depend on the pay and non-cash benefits that make up the salary sacrifice arrangement.

You need to pay and deduct the right amount of tax and National Insurance contributions for the cash and benefits you provide. For the cash component, which means operating the PAYE system correctly through your payroll.

Calculate a non-cash benefit

For any non-cash benefits, you need to work out the value of the benefit by using the higher of the:

- Amount of the salary given up
- Earnings charged under the normal benefit in kind rules

For cars with CO_2 emissions of no more than 75g/km, you should always use the earnings charge under the normal benefit in kind rules.

The only benefits you do not need to value and do not have to report to HMRC for a salary sacrifice arrangement are:

- Payments into pension schemes
- Employer-provided pensions advice
- Workplace nurseries
- Childcare vouchers and directly contracted employer-provided childcare that started on or before 4 October 2018
- Bicycles and cycling safety equipment (including cycle to work)

How to set up a salary sacrifice scheme

As an employer, you can set up a salary sacrifice arrangement by changing the terms of your employee's employment contract. Your employee needs to agree to this change.

A salary sacrifice must not reduce earnings below National Minimum Wage rates.

With the recent rise in National Insurance rates, many healthcare practices are using salary sacrifice arrangements as a way of potentially reducing contributions – especially the provision of an electric company car.

For more information about salary sacrifice schemes for your practice, please get in touch with us.

Preparing your practice for sale – here's what you need to consider

The effects of the COVID-19 pandemic have resulted in an increasing number of healthcare practitioners re-evaluating their professional and personal plans for the future, with some deciding to exit the profession completely.

Dentists, pharmacists, and other healthcare providers who choose to sell or dispose of their practice need to plan ahead, to ensure that their business is an attractive proposition to would-be buyers.

This includes making efficiencies within the practice to lower running costs and maximise profitability. Ideally any outstanding loans or mortgages need to be sorted out prior to the sale so it is worth obtaining early settlement figures and also finding out if there are any early repayment penalties which could affect your final calculations.

Before making known your intention to sell, it is worth seeking advice from a specialist advisor who will be able to ensure your practice is correctly valued, taking into account all associated assets including any property, equipment and client lists you hold.

It is also important to be aware of the rules governing Capital Gains Tax (CGT) in the UK – a tax that self-employed health practitioners and partnerships will incur on all 'gains' when selling or disposing of a business asset, such as land and buildings, equipment, or even the entire practice itself.

It is possible to make substantial CGT savings when selling or disposing of a practice and, depending on future intentions, it might be worth exploring roll-over relief, which enables a seller to defer CGT if their gains from a sale are to be reinvested in new commercial assets, or hold-over relief, which can defer CGT in instances where the practice or asset is being 'transferred' to a spouse or civil partner as opposed to being sold.

Last but not least it is important to bear in mind that, due to the pandemic, there has been a backlog of CQC registrations which has led to significant delays in the transfer of a practice.

It is also important to engage the services of a specialist accountant with experience in the healthcare sector, to ensure that your practice disposal is handled tax efficiently and with the minimum of delay.

If you need help preparing your practice for sale, or would like to know more about your options, get in touch with the healthcare accountancy team at CHC for a confidential, informal discussion.

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