



Avoiding Tax Traps as a Practice Manager

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Who are Azets?

- A Top 10, international Accounting and Tax Advisory business
- Over 80 Offices around the UK
- One of the largest providers of specialist accounting and tax advice to the medical profession
- We act for over 300 medical practices, and more than 2000 GPs, many in Wales
- We also assist 100s of locums, salaried GPs, NHS consultants and other related businesses
- We have a specialist finance team to assist with re-financing opportunities



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Main PAYE and Tax issues

HMRC are carrying out more Tax and PAYE Compliance reviews

Current 'problem' areas:

- 'Off-payroll' workers (IR35/employed/self-employed)
- Staff uniforms
- Gifts/vouchers
- Work functions
- 'Real time' reviews

IR35 – 'Off-payroll' working

Q Why is it an issue?

A Off-payroll workers pay less National Insurance (and possibly tax)

Q Who are affected by the rules?

A You need to *consider* anyone you pay that is not on your payroll (apart from the partners!)

Q What if I get it wrong or ignore it?

A HMRC will charge the Practice the tax, NIC, interest and penalties (for up to 6 years) where the procedures are not followed.

Locums – What should the Practice do?

- Check the status of each person when you agree terms
- HMRC tool – see:
- <https://www.tax.service.gov.uk/check-employment-status-for-tax>
- Follow through questions/answers
- Check result!
- Print – Practice and locum to sign
- Apply PAYE tax and NIC if IR35 applies

Practical Issues You Face

Our recent experience:

- Long term locums
- The 'time' issue for Practice Managers
- Do locums sign a contract with you?
- HMRC PAYE compliance enquiries
- The Practice bears the risk
- Penalties

Staff Uniforms and Gifts

Staff uniforms

To be a 'uniform' the items of clothing must have a permanent (embroidered) logo/business name. Per HMRC:

'Fixing a permanent and conspicuous badge to what would otherwise be ordinary clothing may be enough to make it a uniform, but each case must be considered on its merits. The essential test is whether the employee would readily be recognised as wearing a uniform by the person in the street. A detachable badge is not sufficient to make the clothing to which it is attached part of a uniform.'

Staff Uniforms

Example

Practice purchases white blouses/shirts for reception staff.

No logos attached. This is a taxable benefit in kind (BIK).

The cost of clothing to the Surgery in one year is £2,000.

Tax and NI due, say 35% = £700. HMRC suggest that this applies for 6 years, total tax and NI due £4,200, plus interest and a minimum 15% penalty. Total cost is more than £5,000.

Staff Uniforms

Is there any good news?

The additional tax and NI due is tax deductible!

We can assist with the enquiry with HMRC.

In most cases, provided we are advised of the enquiry promptly, i.e. before the HMRC visit or on receipt of the HMRC letter. If insured, the **insurance will cover our fees in connection with the enquiry.**

Staff Gifts

PAYE Settlement Agreements (PSA)

‘One annual payment to cover all the tax and National Insurance due on small or irregular taxable expenses or benefits for your employees.’

Trivial items can be ignored if.....

It costs you less than £50 to provide

It isn't cash or a cash voucher

It isn't a reward for their work or performance

It isn't in the terms of their contract

HMRC Enquiries

How the process works:

- You receive a long letter (20 pages+) from HMRC with a Questionnaire
- You complete it within 30 days
- You then enjoy a telephone discussion of your answers
- HMRC raise further queries on specific areas/copy documents are requested.
- Tight timeframes to reply and supply all information.
- We can assist (your fees are covered **if insured**)

The Future.....

- With MTD on the way, the partnership accounting records need to be up to date
- Quarterly Returns (with tight deadlines) will mean bookkeeping cannot wait until the end of the year!
- This is a good thing!
- The partnership will have more up to date management figures and these will help the partners plan for the future.
- We can assist!

Disclaimer

The purpose of this presentation is to **give general information** on the subject matter presented.

It is **not intended to be a comprehensive analysis** of the subject matter that is being discussed or presented in written or verbal form. The information is believed to be correct as of 10 October 2023.

It is **not intended to be a substitute** for formal advice from the appropriate person in the organisation to a client under the terms of a suitable signed engagement letter.

