Hawsons Chartered Accountants
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Healthcare Newsletter

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Hawsons

Big firm expertise,
small firm personal attention

Scott Sanderson
Partner

Introduction

Welcome to our latest edition of the healthcare newsletter.

In this edition we discuss changes to associate dentists self-employed concession, which may affect associate dentists cashflow and how they are taxed. We also discuss the current staff shortages the social care sector is facing due to Brexit immigration rules and the mandatory vaccine rule. In addition, we discuss how the pandemic has affected the pharmacy sector. Finally, we discuss how GPs will be faced with tax assessment period changes.

The aim of this newsletter is to help businesses and individuals in the healthcare sector. We hope you enjoy this edition of our healthcare newsletter.

If we can be of any help at all please do not hestitate to contact us using the contact details on the final page of this newsletter.

Associate dentists self-employed concession to be removed

For many years HMRC have operated a concession under which associate dentists are treated as self-employed for tax purposes rather than employed. However, from 6 April 2023, this concession will be removed.

How will this impact dental practices?

At present, the concession means that associate dentists are able to be assessed on a self-employed basis, meaning all of their income tax is paid via the self-assessment tax system together with Class 2 and Class 4 NIC. This is beneficial to dental practices as they have not been required to account for Class 1 Employer NIC at 13.8 percent or remit the tax and Class 1 Employee NIC via PAYE on the amounts paid to associate dentists.

However, the removal of the concession means associate dentists will be treated in the same way as contractors, in that dental practices will be required to undertake an employment status review to determine whether the associate is employed or self-employed. Where the review concludes that an associate is an employee the practice will be required to put the associate on the payroll and account for income tax and Class 1 NIC (Employers and Employees) via the PAYE system. The Class 1 Employer NIC at 13.8 percent will be an additional cost to the practice.

The status of associate dentists must be considered on a case-by-case basis, based upon their individual circumstances. Where practices incorrectly classify associates as self-employed and it is found they have not taken reasonable care, then they will be exposed to penalties and interest on the underpaid tax and Class 1 NIC's.

The HMRC CEST tool can be used to help businesses to determine the employment status of individuals (https://www.gov.uk/guidance/check-employment-status-for-tax).

How will this impact associate dentists?

Where an associate is determined to be employed then all of their tax and NIC liabilities will be deducted via PAYE on a monthly basis rather than on account via self-assessment in January and July each year. This will represent a cash flow disadvantage for associates. Furthermore, as an employee, an associate will suffer Class 1 NIC at 12 percent rather than Class 4 NIC at 9 percent which represents an increase in taxation.

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with our latest news and updates

Autumn Budget confirmed for 27 October

The Chancellor Rishi Sunak has confirmed that he will be delivering his autumn Budget on 27 October 2021. This is the first time there has been an autumn Budget since 2018. In this Budget, he will be announcing his plans to support public services and revive the economy with £140bn of additional spending.

The government has already announced the health and social care tax rise which has now been backed by parliament. However, It remains to be seen what else is in store on the tax front. There could be further significant changes that could affect you.

Our tax specialists will be watching the Budget and will provide commentary on the announcements. To pick up on our commentary, follow us on Twitter (@Hawsons) or LinkedIn.

Charity Skydive with Hawsons

Hawsons continue to support and fundraise for local charities as Aimee Smith and Dalia Qarawi threw themselves out of their comfort zones for the Paediatrics Department at Northampton General Hospital. The charity skydive took place on 19 September 2021 at the Hinton Airfield, where the pair descended 13,000ft.

Aimee said, “This was the opportunity of a lifetime, I haven’t stopped speaking about it since the day. I loved every second, from the freefall to taking in all of my surroundings once the parachute was pulled, to the support I felt from the Northamptonshire Health Charity, family, and work colleagues who came to cheer us on on the day!”

Dalia and Aimee felt the experience was incredible and doubled their fundraising target on their Just Giving page.

Dalia said, “The skydive was something I’d never of chosen to do myself, but I am so glad I threw myself in at the deep end, to be able to say you have jumped 13,000ft out of a plane is something I never thought I’d be able to do. You didn’t even have time to think about what was going to happen until it did, which was all the more exciting!”

Staff shortage in the care home sector

Clearly, the pandemic has hit many sectors hard but the care home sector is currently suffering from severe staffing pressures. New mandatory vaccines being imposed for all staff (unless medically exempt) and changes to immigration rules following Brexit have added extra challenges for many care providers seeking new employees.

Job adverts for social care vacancies on the recruitment site Totaljobs in August were over 13,000 – an increase of over 84% compared to August 2020.

Mandatory vaccines

New research from government analysts has predicted that an estimated 40,000 care home staff will lose their job after refusing to have a Covid-19 vaccine. It has been discovered that 27.6% of care home managers have lost between one to five staff members because of the new rule. The government announced in July that all care home staff must be double vaccinated by 11 November unless they're medically exempt.

Brexit Immigration rules

Current immigration rules mean that care homes are unable to employ foreign staff due to restrictions around low-paid foreign workers. Before the pandemic in 2020, there were 112,000 vacancies in the care sector paying £8.50 on average per hour (Data from Skills for Care). The qualifying salary for foreign workers is £25,600, which means care homes can employ care managers and senior care staff from overseas but not lower-paid care workers. Care England is urging the government to change its immigration policy on low-paid foreign workers to help ease the staffing crisis in the care sector.

Summary

Mandatory vaccines and the current immigration rules are likely to put extreme staffing pressures on the social care sector. Especially, when the mandatory vaccine rules kick in next month. Unless the government decides to amend these rules to ease staffing pressure on the sector. Much has been reported nationally on the shortage of HGV drivers to help with supply chains, fuel deliveries, etc. But we are yet to see the same cries for help for the care sector – with significantly higher vacancies being reported. With the Chancellor due to speak later this month at the Autumn Budget Statement, we await to see what steps will be implemented to keep the economy moving forward and residents safe in their homes.

Pharmacy 2021 market overview

The COVID-19 pandemic has caused many businesses to make significant changes to the way they operate. This has presented many different challenges for businesses to overcome. The pharmacy sector has been able to weather the storm and continue to operate throughout the pandemic, whilst some other sectors have been forced to close or work from home. However, this does not mean that it has come without some challenges which pharmacies have risen to and have been vital during the course of the pandemic. Below we have highlighted some key findings from a recent market overview of the pharmacy industry.

Average dispensing activity

Dispensing activity figures for 2020/21 have decreased slightly compared to the previous year with the monthly average of items dispensed falling from 7,555 to 7,417. This is a fairly small decrease when you consider the new social distancing and health and safety procedures pharmacies had to operate in. Further research has shown that independent and small chain pharmacies performed much better than corporate pharmacies. Corporate pharmacy's average dispensing activity decreased by 7% whilst independent and small chain pharmacy's average dispensing activity increased by 3.6% and 2.9% respectively.

Increase in electronic prescription service

The pandemic also caused increased activity in electronic prescription service (EPS). 93.9% of items were dispensed through EPS in 2020/21 compared to 72.6% in 2019/20. The main reason for this large increase is due to more GP surgery's adopting EPS over the course of the pandemic in order to maintain social distancing.

Online pharmacy platforms increase in popularity

Over the past five years, there has been a gradual increase in online pharmacy platforms up to the start of the pandemic. However, in 2020 the percentage of items dispensed via this method increased to 2.9% from 1.3% in 2019 (the largest year-on-year growth so far). This increase during the pandemic could cause further growth in this dispensing method in years to come.

Boom in first-time buyers for pharmacies

Over the past year, the number of pharmacies being brought has increased. The main reason for this is because the profile of pharmacies has increased during the pandemic. 80% of applicant registrations have come from first-time pharmacy buyers. Furthermore, the most sales agreed and sales completed were also by first-time buyers at 32% and 35% respectively.

Source: https://www.christie.com/news-resources/business-outlook/2021/pharmacy-business-outlook-2021/

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HMRC outlines changes to late payment penalty regime

HMRC has published a policy paper outlining the forthcoming changes to the penalties for late payment and interest harmonisation for taxpayers.

The government intends to reform sanctions for late submission and late payments to make them 'fairer and more consistent across taxes'. Initially the changes will apply to VAT and Income Tax Self Assessment (ITSA).

The changes will see interest charges and repayment interest harmonised to bring VAT in line with other tax regimes, including ITSA.

Under the new regime, there are two late payment penalties that may apply: a first penalty and then an additional or second penalty, with an annualised penalty rate. All taxpayers, regardless of the tax regime, have a legal obligation to pay their tax by the due date for that tax. The taxpayer will not incur a penalty if the outstanding tax is paid within the first 15 days after the due date. If tax remains unpaid after day 15, the taxpayer incurs the first penalty.

This penalty is set at 2% of the tax outstanding after day 15.

If any of the tax is still unpaid after day 30 the penalty will be calculated at 2% of the tax outstanding after day 15 plus 2% of the tax outstanding after day 30. If tax remains unpaid on day 31 the taxpayer will begin to incur an additional penalty on the tax remaining outstanding. This will accrue at 4% per annum.

HMRC will offer taxpayers the option of requesting a Time To Pay arrangement which will enable a taxpayer to stop a penalty from accruing by approaching HMRC and agreeing a schedule for paying their outstanding tax.

For VAT taxpayers, the reforms take effect from VAT periods starting on or after 1 April 2022. The changes will take effect for taxpayers in ITSA from accounting periods beginning on or after 6 April 2023 for those with business or property income over £10,000 per year (that is, taxpayers who are required to submit digital quarterly updates through Making Tax Digital for ITSA).

For all other ITSA taxpayers, the reforms will take effect from accounting periods beginning on or after 6 April 2024.

GPs faced with tax assessment period changes

The government has published draft legislation outlining simplified tax reporting for self-employed, sole traders, and partnerships in cases where the year-end does not fall on 31 March or 5 April. These proposed changes will affect GP partners and self-employed practitioners who are taxed under self-assessment.

What changes are being proposed?

Self-employed practitioners will be taxed on the earnings arising in the actual tax year spanning April to March annually, instead of the current position where they are taxed on the profits of the practice accounting year, which is not necessarily the same as the tax year.

For example, if your practice accounting year-end is 31st December, individuals are currently taxed on their profits for the accounting year to 31st December. However, under the proposed new rules, the tax bill for the 2023/24 tax year will be based on 9 months' worth of profits from the accounting year to 31 December 2023, and 3 months' worth of profits from the accounting year to 31 December 2024.

In the transition year (the 2022/23 tax year), the individuals taxed under self-assessment in this example would be taxed on profits of the accounting year to 31 December 2022 plus 3 months' worth of profits of the accounting year to 31 December 2023, however individuals will be able to deduct 'overlap profits' (profits taxed twice in earlier tax years due to the tax rules). As a result, this will mean that the tax assessed in 2022/23 could be higher and therefore under the proposals it is possible to spread the additional tax due over 5 years.

Why are these changes being proposed?

The aim is to simplify tax legislation and put an end to the creation of overlap profits where a non-31 March year-end is in place. The main driver behind this change now is the introduction of Making Tax Digital (MTD) for income tax, which is the government programme requiring electronic real-time, expected to be quarterly, reporting of profits to HMRC.

The final legislation is expected to be published later this year.

Get in touch

Specialist healthcare and medical accountants

Hawsons has a dedicated team of specialist healthcare accountants in Sheffield, Doncaster and Northampton.

The healthcare sector continues to become ever more specialised, with changes in legislation and funding affecting both clinical and non-clinical matters. At Hawsons our team of specialist healthcare accountants offer professionals advice and guidance that is tailored to their individual needs and requirements, providing a full range of proactive services.

We pride ourselves on the in-depth knowledge and experience our team have developed in a number of specialist areas, across the healthcare sector, including GPs, care homes and pharmacies.

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