

Healthcare Matters

For Private Consultants



Financial planning for consultants

Pension contributions – Annual Allowance

The 2011 Budget announced a reduction in the Annual Allowance for pension contributions from £255,000 per annum to £50,000 per annum. Although on the face of it this looks like a negative step, a great many Consultants had been unable to benefit from the higher allowance in recent years as the introduction by the previous Government of anti-forestalling measures meant that any Consultant earning in excess of £150,000 per annum was restricted to a maximum pension contribution of £20,000, or in some circumstances, £30,000 per annum. As a result of these restrictions, many Consultants stopped funding pensions completely.

The anti-forestalling restrictions were removed on 6th April when the new Annual Allowance limit was introduced, and so the maximum Annual Allowable contribution is 100% of earnings or £50,000 whichever is lower. The new rules also allow for a “carry forward” facility of any unused relief from the previous three tax years. This unused relief is capped at £50,000 per annum, but for Consultants who have made no pension contributions in the last three tax years could potentially contribute up to £200,000 in the 2011/12 Tax Year. This could in some instances increase to £250,000 in certain circumstances. “Carry forward” contributions are subject to the 100% of earnings limit in the year of payment.



Full tax relief at the highest marginal rate would be available, and therefore for those Consultants earning in excess of £150,000 per annum, these contributions would benefit from 50% tax relief meaning a £200,000 contribution would effectively cost £100,000. Even for those Consultants that have made contributions in the last three Tax Years at the reduced levels, there is still scope to “carry forward” those unused allowances up to £50,000 for each of the last three Tax Years.

Pensions – Lifetime allowance

As well as the news regarding the Annual Allowance, the 2011 Budget announced changes to the Lifetime Allowance, the amount of money an individual can hold in pensions before additional tax charges are applied. At present the Lifetime Allowance for everyone is £1.8m, but from April 2012 this reduces to £1.5 million for all but those that have in place some form of transitional protection already. This new lower limit will remain at that level for at least the remaining term of this Government.

Again, this may at first glance look like a negative step, but what it allows is the opportunity for significant pension funding between now and April 2012, especially if used in conjunction with the Annual Allowance “carry forward” facility.

It is possible to fund your pensions to a sum in excess of £1.5m and then apply for “fixed protection” before 5th April 2012. “Fixed protection” enables you to maintain the higher Lifetime Allowance limit of £1.8m for your pension funds. However, we would not recommend funding your pension to the full £1.8m on the grounds that if there is future growth in your pension investment, and if that growth pushes your pension fund in excess of the £1.8m limit, your tax efficiency may be affected.

The downside of applying for “fixed protection” is that no further contributions can be made into pensions after 6th April 2012.

Other news

Financial planning (continued)

For many this may not be a concern, but for those Consultants that have some form of NHS pension benefits it is important to review their current position as the NHS benefits may cause your total pension benefits to exceed the Lifetime Allowance. Also, continuing NHS pension contributions will negate the “fixed protection” rules.

This is a particularly tricky area and if you have significant private pension provision and NHS pension entitlements, you should review them to ensure that you are in the best possible position.

Partnership protection

The vast majority of Private Practices are run as Partnerships and whilst for most of the time everything runs smoothly, what happens if one of the partners dies? What would happen to their share of the Partnership?

To prevent their share of the Partnership ending up in the hands of people who are not able to practice, or who may not want any involvement in the practice, it is essential that appropriate Partnership Protection Provision is in place.

In most cases, this involves the setting up of a relevant “cross option” or “double option” agreement and some appropriate life assurance. The “cross option” agreement ensures that on the death of a partner, that partner agrees that his share of the partnership will be sold to the surviving partners and that the surviving partners agree to purchase that share. The life assurance policy pays out on death and the proceeds are paid into a trust that purchases the deceased’s share of the partnership.

In the process the beneficiaries of the deceased receive a cash payment in lieu of the partnership proceeds and hence are no longer entitled to any involvement in the partnership.

By completing this relatively straightforward process the Partnership can remove a potentially difficult situation, both financially and emotionally, in the event of a death of a partner. For further help or assistance, please contact [Andrew Peters on 01737 779000](mailto:apeters@ks.co.uk) or email apeters@ks.co.uk

Andrew is a Financial Planner at Kingston Smith Financial Advisers Ltd, part of the Kingston Smith group and an appointed representative of Argentis Financial Management Ltd which is authorised and regulated by the Financial Services Authority.



Where there’s a Will...?

We all hear regularly of the importance of making a Will, but what happens if you die intestate? Few people realise that there are set rules for distributing the estate of someone who dies without making a Will.

Under the current arrangements in England and Wales, if you die without a Will and have a wife, husband or registered civil partner and children, your spouse or registered civil partner will receive the first £250,000 of your estate, plus a life interest in half of the residue. Any children receive the rest when they reach the age of 18. If they are under 18, their portion is placed on ‘statutory trust’ (a trust held for sale) until they reach 18. When your spouse or registered civil partner dies, your children receive the half of the estate in which your spouse or registered civil partner had a life interest on the same basis. It’s important to remember though, that the intestacy rules do not apply to houses which are jointly owned as beneficial joint tenants or to other assets held on such a tenancy.

If you have no children, your wife or husband receives the first £450,000 and the excess is split into two halves. Your spouse or registered civil partner will take one half absolutely and the other half goes to your parents or, if both are dead, to your brothers and sisters. Unmarried couples, incidentally, have no automatic right to anything under these rules, except in the case of any property that they own as beneficial joint tenants.

When there is no surviving spouse or registered civil partner then the estate goes first to the children, then grandchildren or, if there are none, to the parents of the deceased. If they are dead, the estate passes to brothers and sisters (or their children or grandchildren if a brother or sister predeceases the deceased) or, if there are none, to half brothers and sisters (or their children or grandchildren). If there are no siblings or half siblings, the estate goes to the deceased’s aunts and uncles (or their children or grandchildren) and if there are none, to half uncles and half aunts or their issue.

“Intestacy rules do not apply to houses which are jointly owned.”

All of this can result in estates being unclaimed and being taken by the Crown. The simplest option for everyone, of course, is to take the time to make a Will and take control of who gets what and when they get it, rather than have the rules foisted on you. If you have any questions about your estate, Will or inheritance tax, contact [Paul Samrah on 01737 781546](mailto:psamrah@ks.co.uk) or email psamrah@ks.co.uk

Key tax dates

31 January 2012

- Deadline for online submission of Self Assessment tax return for tax year ended 5 April 2011.
- Deadline for paying Self Assessment 'balancing payment' for tax year ended 5 April 2011.
- Deadline for first Self Assessment payment on account for tax year ended 5 April 2012.

5 April 2012

Last day of tax year (6 April 2012 – first day of new tax year).

19 April 2012

Deadline for postal payment to reach HMRC Accounts Office for any outstanding non-electronic PAYE tax and Class 1 NICs for the tax year ending 5 April 2012.

21 April 2012

Deadline for electronic payments to be cleared in HMRC bank account for any outstanding PAYE and Class 1 NICs for the tax year ending 5 April 2012.

19 May 2012

Deadline for filing your Employer Annual Return (P35 and P14s) for the tax year ending 5 April 2012.

31 May 2012

Last date for giving a form P60 for 2010-11 to each relevant employee who was working for you on 5 April 2012.

Penalties if you miss the tax return deadline

If you miss the deadline, the longer you delay, the more you'll have to pay. So it's important to send your tax return to HMRC as soon as you can.

Penalties for missing the tax return deadline

Length of delay	Penalty you will have to pay
1 day late	A fixed penalty of £100. This applies even if you have no tax to pay or have paid the tax you owe.
3 months late	If HMRC choose to do so, £10 for each following day - up to a 90 day maximum of £900. This is as well as the fixed penalty above.
6 months late	£300 or 5% of the tax due, whichever is the higher. This is as well as the penalties above.
12 months late	£300 or 5% of the tax due, whichever is the higher. In very serious cases you may be asked to pay up to 200% of the tax due instead. These are as well as the penalties above.



Contact us

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