

# Maximising tax claims for GP's

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# Upcoming webinar:

## Maximising tax claims for hospital doctors & private practice

When: **Wednesday 17 April**

Time: **6:30pm – 7:30pm**

Where: **Online**

Medical specialists Louise Dean and Jamie Butcher present an overview of tax considerations including:

- What expenses can be claimed and how they reduce taxable income
- Considerations around setting up a limited company for private practice

A recording of the webinar will be made available if you can't attend live on the day – please register so you don't miss out as it will be sent directly to all those registered.



# Basics of income tax

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## What is subject to income tax?

- Earned income
  - Employment
  - Self-employment / partnership
- Pensions
- Interest on savings
- Investment income
- Trust income
- Some state benefits – state pension, Jobseeker's Allowance, widow's pension
- Foreign income (if resident)



# Basics of income tax

## Examples of what is NOT subject to income tax

- Some state benefits
- ISAs
- Rent a Room scheme (up to £7,500 pa)
- Premium bonds
- Tax credits;
  - Housing Benefit
  - Working Tax Credit
  - Child Tax Credit
- Gambling winnings



# Basics of income tax

**Whether you're employed or self-employed, you will pay income tax at the same rate on your earnings/profit.**

	<b>2024/25</b>	<b>2023/24</b>
Personal allowance (free pay)	Up to £12,570	Up to £12,570
Basic rate (20% for earned income)	£12,571 - £50,270	£12,571 - £50,270
Higher rate (40% for earned income)	£50,271 - £125,140	£50,271 - £125,140
Additional rate (45% of earned income)	Over £125,140	Over £125,140

*Income tax bands are different in Scotland*

# Basics of income tax

**Personal allowances** and tax bands apply to each individual and cannot be carried over or (usually) transferred.

**Personal savings allowance:**

£1,000	
£500	if 40% rate taxpayer
£0	if 45% rate taxpayer

Starting rate allowance for savings of £5,000 but not eligible if other income £17,570 or more

Different tax rates apply to dividend income:

**Dividend allowance:** £1,000 (23/24), reducing to £500 (24/25)

If basic rate taxpayer	8.75%
If 40% taxpayer	33.75%
If 45% taxpayer	39.35%



# Example – tax calculation 2023/24

		£
Partnership income		135,000
Less superannuation contributions		(35,000)
Less personal allowance		(12,570)
		<hr/>
		87,430
		<hr/>
<b>Taxable</b>		
Tax thereon	37,700 @ 20%	7,540
	49,730 @ 40%	19,892
Class 4 & 2 National Insurance		4,388
		<hr/>
		31,820
		<hr/>



# Example – tax calculation 2023/24

	£
Partnership income	135,000
Less superannuation contributions	(35,000)
Other income	25,140
Less personal allowance	0
<b>Taxable</b>	<b>125,140</b>
Tax thereon	
37,700 @ 20%	7,540
87,440 @ 40%	34,976
Class 4 & 2 National Insurance	4,891
	<b>47,407</b>



# Claiming for personal expenses

**Claiming for personal expenses incurred in undertaking your work as a GP will reduce your taxable partnership income.**

Claims for expenses must be wholly and exclusively for the business, which means incurred for the purpose of business but no requirement for costs to be necessary.

A separate schedule of claims will be drawn up and deducted from your practice profit share, so you won't see the expenses in your own tax return.

Must be able to justify all claims and retain evidence of cost for six years as part of the business records.



# Typical claims against self-employment income – not exhaustive

- Subscriptions: Assuming not paid and claimed in the practice accounts
- Telephone & internet: Subject to business use %
- Courses, travel & subsistence: If adding to existing knowledge to be used in business
- Spouse wages/pension
  - Should be paid, may need a payroll and may be taxable on the spouse. Must be reasonable and commensurate with duties undertaken
- Locum insurance: Assuming not paid and claimed in practice accounts
- Computer equipment & consumables: Subject to business use %



# Typical claims against self-employment income – not exhaustive

## Use of home

You can either claim actual expenses or flat rate prescribed by HMRC – this covers utility bills but doesn't cover telephone or internet expenses.

Hours of business use per month	Flat rate per month
25-50	£10
51-100	£18
101 or more	£26

On top of the flat rate expenses, you can claim a business proportion of mortgage interest, rates and repairs to your home. The business proportion should be based on number of rooms used for business purposes in your home compared to total rooms, as well as how often you use it.

For example, 25-50 hours per month equates to 600 hours, compared to 8,760 hours in the year. Maximum business proportion can only be 6.85% of total costs before taking into account rooms used.



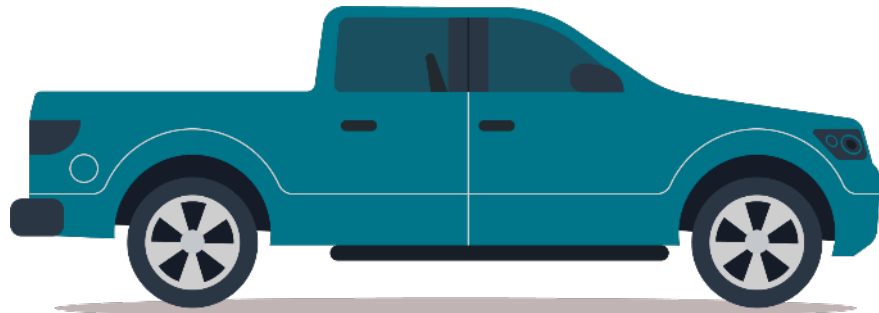
# Typical claims against self-employment income – not exhaustive

## Motoring costs

- You can either claim 45p per business mile (for first 10,000 miles – 25p thereafter) or you can claim a business proportion of your total running costs of the car plus capital allowances.
- Once you choose a method, you cannot change unless you change car.
- Business mileage must be wholly and exclusively for business purposes e.g. home visits. Home to work is normally considered commuting and is not allowable, unless your base of operations is your home.
- Finance – if you finance the purchase of your car, you may be able to get tax relief on the interest element of the finance or rental payments – not available if claiming 45p per mile.

## Electric cars

- First Year Allowances – 100% of cost of car subject to business use proportion.
- Car has to be new and unused and either fully electric or 0g/km CO<sub>2</sub> emissions.
- Car has to be purchased outright or with a bank loan – if financed under a PCP, relief is not available.



# Disallowable expenses

Below are some examples of disallowable expenses:

- Childcare costs
- School fees
- Life and health insurance
- Some sickness policies
- Entertainment
- Home to work travel



# Other expenses that reduce income tax

Pension contributions (although watch annual allowance and lifetime allowance and need to take into account anything paid by an employer).

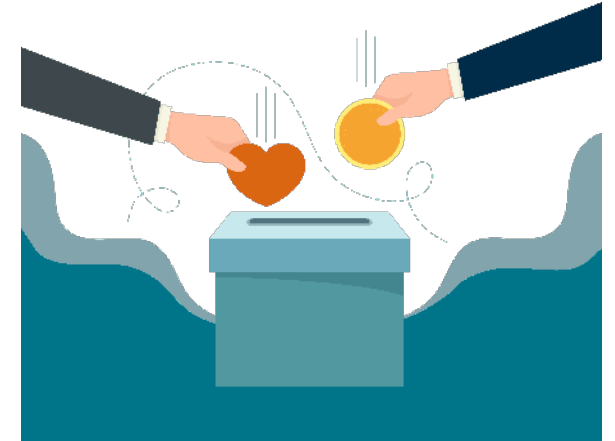
- NHS pension contributions would include those paid via the practice in respect of practice pensionable pay, any related to locum work outside of the practice (locum A&B forms) or via GP solo.
- Watch the timing of pension contributions as tax relief only claimable when they are paid.
- Personal pension payments to private arrangements outside of the NHS.

**Make sure you take the appropriate independent financial advice.**



# Other expenses that reduce income tax

- Loan interest on business loans paid personally – may be in respect of buying into the practice/property.
- Gift Aid payments.
- Losses on other businesses (not residential rental losses).
- Investments in EIS or VCTs.



**Make sure you take the appropriate independent financial advice.**

# Child benefit

Child Benefit will continue to be paid to a parent tax free.

However, where they or their “partner” earn more than £60,000, the benefit will be clawed back by means of a tax charge.

Child Benefit is totally withdrawn for anyone with adjusted net income of £80,000 or more.

For those that have not claimed Child Benefit to avoid the HICBC and, as a result, have not received NI credits for years when they have been out of work due to childcare responsibilities, you should check your NI record to make sure you have enough qualifying years to receive a full state pension.

**Make sure you take the appropriate independent financial advice.**



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