

ACCOUNTING IN MEDICO LEGAL BUSINESSES

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SANDISON EASSON
CHARTERED ACCOUNTANTS

SANDISON EASSON

- Work with Primary and Secondary Care doctors, both in private and NHS settings
- Established over 40 years ago
- Covering England, Wales and Scotland



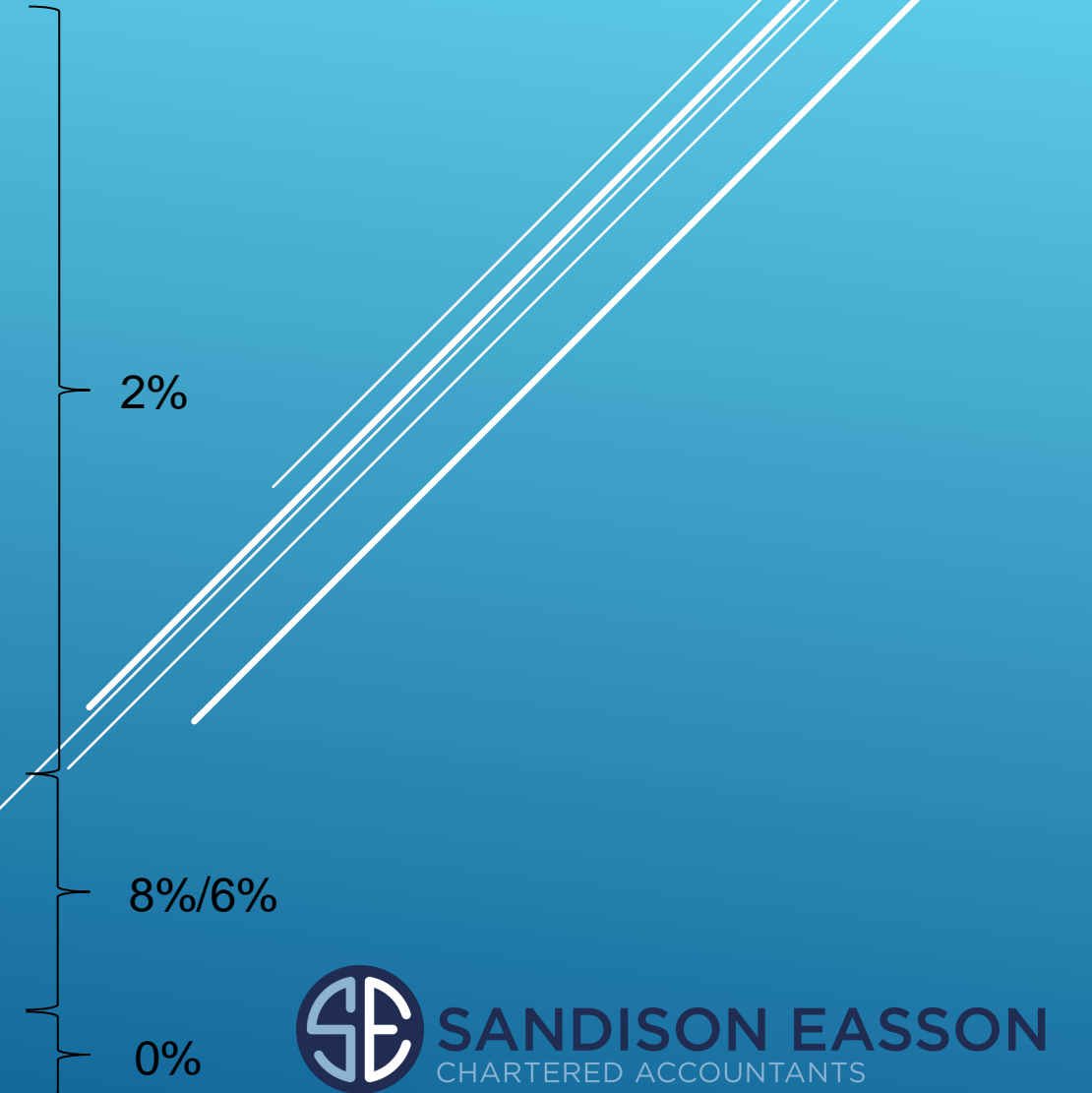
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TAX RATES 2024-25 (ENGLAND AND WALES)

Income Tax

45% - Additional Rate	Above £125,140	
60% - Lose P.A.	Next £25,140	£125,140
40% - Higher Rate	Next £49,730	£100,000
20% - Basic Rate	Next £37,700	£50,270
Tax Free Personal Allow.	£12,570	£12,570

National Insurance



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THRESHOLDS TO BE AWARE OF

- £100,000 to £125,140 – Personal Allowance abatement
- £100,000 – Tax Free Childcare
- £200,000 – Threshold Income (Annual Allowance Tax)

PENSIONS OVERVIEW

- 3 NHS pension schemes
 - 1995 Scheme
 - 2008 Scheme
 - 2015 Scheme
- Impact of 'McCloud remedy'
- Doctors are assessed on "growth" – not contributions
- Pension Annual allowance
 - Now £60,000
- Tapering of allowance
 - Possible where earnings exceed £200,000
- Lifetime allowance
 - Removed but tax free lump maximum remains

WORKING PRIVATELY OPPORTUNITIES

Private Income

Demand
High



Flexible

Win - Win

CHOOSING A TRADING STRUCTURE

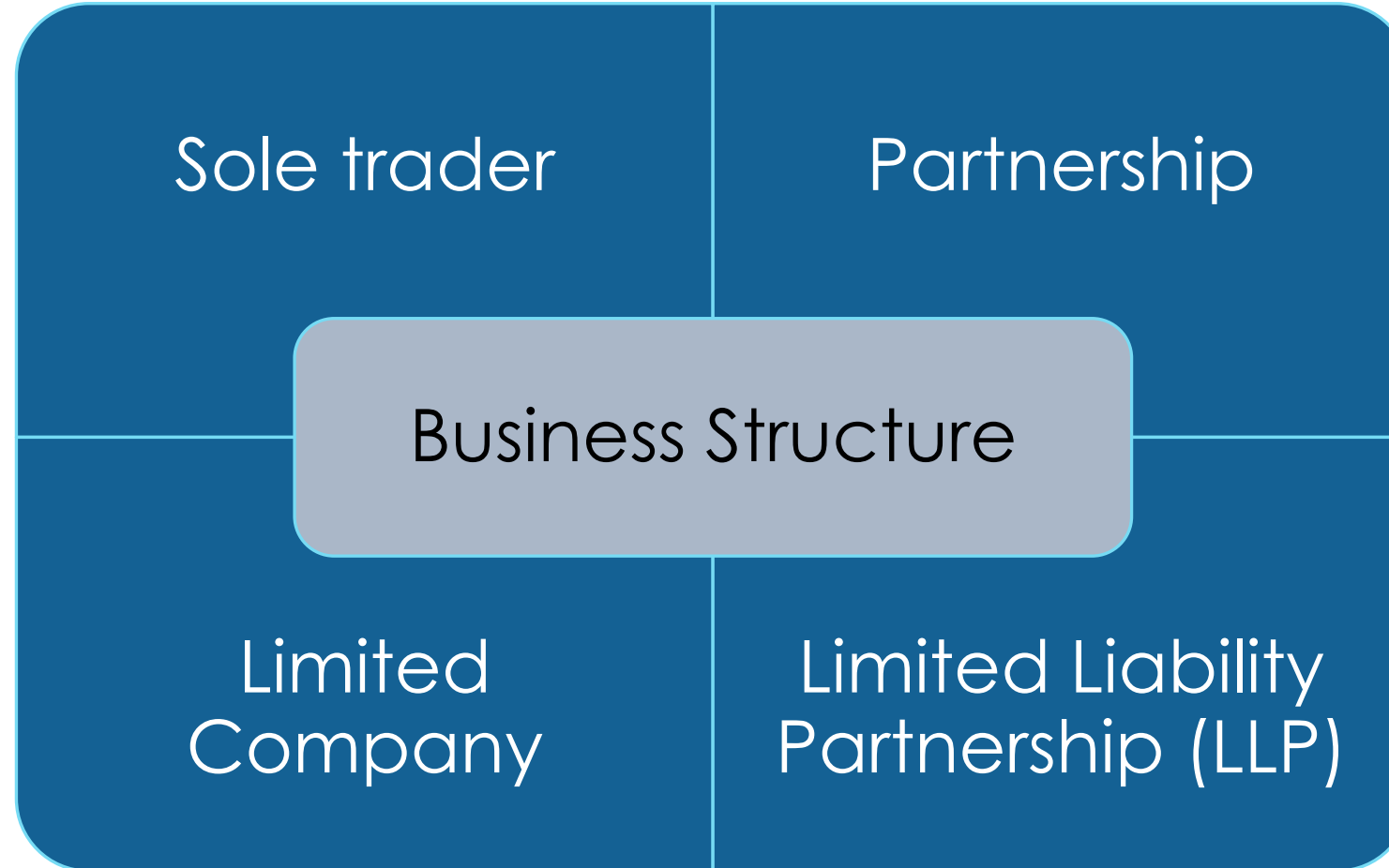


Tax

Risk

Groups

BUSINESS STRUCTURE



BUSINESS STRUCTURE

Sole trader (self employed individual)

Pros:

- Flexible
- Minimal start up costs

Cons:

- Unlimited liabilities

Partnership (self employed individuals working together)

Pros:

- Profits declared on partnership tax return
- Flexible for changes in partners/working patterns

**CON ON ANY
STRUCTURE:**

**COULD PAY MORE TAX
THAN YOU NEEDED TO IF
THE WRONG STRUCTURE
IS SELECTED**

Limited Company

Pros:

- Separate legal entity – limited liabilities
- Can offer tax planning

Cons:

- More reporting requirements
- Can have barriers if working with others

liabilities

Requires detailed partnership agreement

Separate legal entity – limited liabilities
Flexible for changes in partners

Cons:

- More reporting requirements
- Requires detailed partnership agreement

EFFECTIVE TAX RATES (2024/25 E&W)

Sole trader/Partnership/LLP Individual Member

Basic rate taxpayer (incl NI) - 26%

Higher rate taxpayer (incl NI) - 42%

Additional rate taxpayer (incl NI) - 47%

Limited Company Taxpayer	Dividend Rate	£50,000 19%	Next £200k 26.5%	Above £250k 25%
Dividend Allowance	0%	19%	26.5%	25%
Basic rate	8.75%	26.1%	32.9%	31.6%
Higher rate	33.75%	46.3%	51.3%	50.3%
Additional Rate	39.35%	50.9%	55.4%	54.5%

EXPENSES – THE HMRC TEST

Employment expenses

Must be **wholly, exclusively & NECESSARILY** for the purpose of your employment

Business expenses

Must be **wholly & exclusively** for the purpose of your trade

EXPENSES

- Use of home as office
- Equipment costs
- Billing company fees
- Postage and stationery
- Staff costs
- Computer and website costs
- Courses and conferences
- Accountancy
- Marketing and advertising
- Professional fees

Companies only

- Director trivial benefits
- Staff entertaining
- Entertaining

STAFF COSTS - EMPLOYMENT TAXES

- If employing staff, will need a PAYE scheme
- Deduct tax and national insurance from salary - pay to HMRC
- Auto-enrolment obligations – paying into pension for employees
- Consider “on costs”, recruitment fees and higher salary package
 - Employers NI is increasing from April 2025***
- Sick pay, maternity pay etc
- Consider outsource the running of your PAYE Scheme

EXPENSE SHARING ARRANGEMENTS



TAX PLANNING - TOYS



ELECTRIC CARS

Two tax efficient ways to buy or lease the car:



beware reduces
pensionable pay



via your own Ltd
Company

Remember – compare Apples and Apples, not Apples and Pears!

VAT

- General Principle.... Healthcare is generally exempt from VAT
- To be regarded as exempt, the work needs to satisfy two conditions:
 - The services are within the profession in which you are registered to practice.
 - The primary purpose of the services is the protection, maintenance or restoration of the health of the person concerned.
- Medico Legal work **does not** meet the exemption

VAT REGISTRATION

- Income from VATable supplies over £90,000 – must register and charge VAT
- If VAT registered, can deregister when VATable supplies below £85k
- Types of VAT registration:
 - Quarterly/Monthly returns
 - Annual Accounting (one return a year)
 - Flat Rate (pay a fixed amount of VAT on income – easier & sometimes more beneficial)
 - **VATable income below £150k**
 - Cash accounting (pay VAT when you are paid)

VAT – ALL DOOM & GLOOM?

- Depending on registration, may be able to reclaim VAT on costs
- Your customers will be likely VAT registered – no additional cost to them/your income stays the same
- Can have a mixture of Medico legal and healthcare income
- **50% back on lease of Electric Car**

MAKING TAX DIGITAL

Income Tax

- MTD mandatory from:
 - 6 April 2026** self-employed businesses and landlords with annual business or property income more than £50,000
 - 6 April 2027** self-employed businesses and landlords with annual business or property income more than £30,000

Corporation Tax

- MTD for corporation tax..... not yet known but not before April 2026

HMRC ENQUIRIES

- Hot topics for enquiries:
 - Under-declared income
 - High risk tax schemes
 - Motor and travel claims
 - Annual allowance tax charges
 - Lifetime protection schemes
 - VAT Registrations
- Late filing of returns
- Penalties for errors
- Fee protection policies

TAX PLANNING

- Keep an eye on Income and Thresholds
- Watch out for VAT
- Hybrid Models (Partnership and Company)
- Liquidation – Business Asset Disposal Relief
10% until 5/4/25, 14% (25/26) then 18% (26/27)
- Tax efficient extractions from a company (dividend allowance, trivial benefits)

QUESTIONS?

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