

STAFF & SEASONAL TAX ISSUES

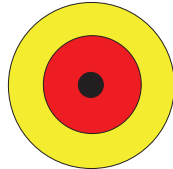
What you need to know this party season



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No will? No way!

Practice partners, as well as the family, suffer the financial consequences when GPs die leaving no will - or an out of date one.

Bob Senior investigates

Death and taxes are said to be the two certainties in life. Now you can employ clever people to help you cut your tax bill, or not pay it and risk jail, but death is the one certainty we all face.

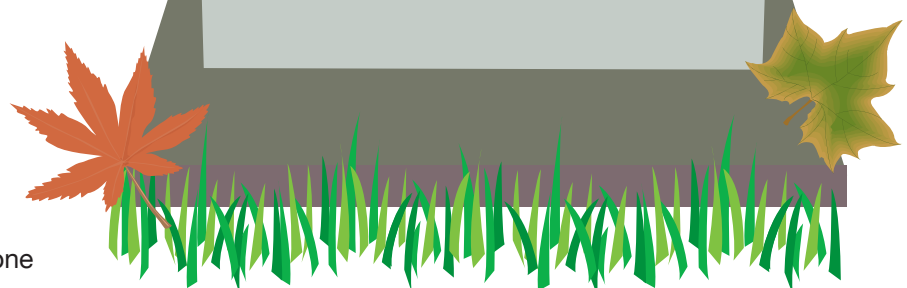
So why, when GPs are members of a profession where deaths are encountered on a regular basis, do so many ignore it when it comes to their own affairs?

My experience shows that in a practice of, say, eight GPs, one or two of them will have recently updated wills. The accountant's nagging gets them there eventually.

Perhaps four will have wills they made years ago when their children were infants. One or two will be unmarried and have not got round to making a will - yet. And at least one will be married, or living with a partner, have children but not have made a will.

When these 'will-less' GPs are quizzed they come up with a variety of reasons why they have not got round to making one:

- A) I am married but I don't have any children, parents, brothers, sisters, nephews or nieces
- B) I haven't got much to leave anyone
- C) I don't like the idea of writing a will. I don't want to acknowledge that I will die one day
- D) My spouse/partner and I cannot agree who would look after the children if we both died together
- E) I simply have not got round to it
- F) I am too mean to pay a solicitor to prepare one for me.



The practical implications on a sudden death where no will exists...

- The practice should not, technically, pay any more drawings to the deceased partner's spouse until probate is granted since it will not know if they are entitled to receive anything
- If the title to the family home was drawn up with the husband and wife owning it as tenants in common, then the deceased's half needs to be taken into account in the £125,000. That could mean that the house has to be sold to pay out the children's share.
- If the deceased's estate amounted to more than the inheritance tax limit then money will need to be found to pay the 40% inheritance tax that will be due on anything in excess of that (currently £312,000).
- If the GP is living with a partner rather than a spouse then things become much more complicated since they do not necessarily have the same rights as a spouse. It is probably cheaper to simply make a will than pay a solicitor to explain what would happen without one.

1 If married but no children:

the spouse takes the personal chattels (car, furniture, clothing etc.) plus £200,000 plus half the residue (the balance). The other half of the residue is given in order to either parent(s) or if they are dead then to brothers and sisters or if they are dead then to nephews and nieces.

2 If married with children:

the spouse takes the personal chattels and £125,000 and income only from half of the residue. The children are entitled to half the residue when they are 18 (or if they marry earlier) plus the other half of the residue on the death of the surviving parent.

3 If no surviving spouse:

everything is taken by:

- children, but if none then by
- parents, but if none then by
- brother, sisters or nephews and nieces, but if none then by
- grandparents, but if none then by
- uncles, aunts or cousins, but if none then by
- The Crown.

Since GPs have generally earned a decent income since qualifying it is by no means uncommon to find them in their 40s with a reasonable amount of equity in their houses, a lot of life insurance cover, and possibly a reasonable investment in their practices.

It is also not uncommon to find the odd insurance policy that they took out before they were married that will still pay the proceeds into their estate rather than directly to their spouse. When all this is taken into the

equation many GPs would obviously

find their personal estate amounting to well over £125,000 if they died.

For the vast majority of GPs not having a will is inexcusable. The will's contents really need to be updated as family circumstances change but a basic will needs to be in place as a matter of urgency.

Bob Senior is vice-chairman of AISMA

Of those reasons the only ones that are acceptable are (a), because then your spouse gets everything, or (b) - and that is only if your estate will amount to less than £125,000 in the event of your death. If your estate on death is going to be more than that and you have any children, parents, brothers, sisters, nephews or nieces then you need to make a will. Why? Because even though you will be out of it, those you leave behind will have a real mess to sort out.

The whole crux of the issue is that if you die without leaving a will the state will share out your estate on a predefined basis - and it is not simple, easy or generous for spouses or partners. If you die in England or Wales with an estate of more than £125,000 but have no will then the following will happen:



Opinion

Have yourself a tax efficient Christmas

Debbie Wood, Executive Member, AISMA

Despite the credit crunch and a tight cashflow I expect many practices want to spread festive cheer. If so then keep an eye on the tax issues.

Staff Christmas party costs are fully tax allowable in practice accounts providing all are invited and the total spent for each employee attending is not more than £150.

For the total cost per head add in all function costs, transport and accommodation. And consider other functions held in the same tax year. The limit applies to the total spent on all staff entertaining.

Exceed the limit and there will be a personal tax implication for your staff via the benefit in kind system and additional employer's NIC obligations too.

Any cash bonus must be treated as part of the employee's gross salary for

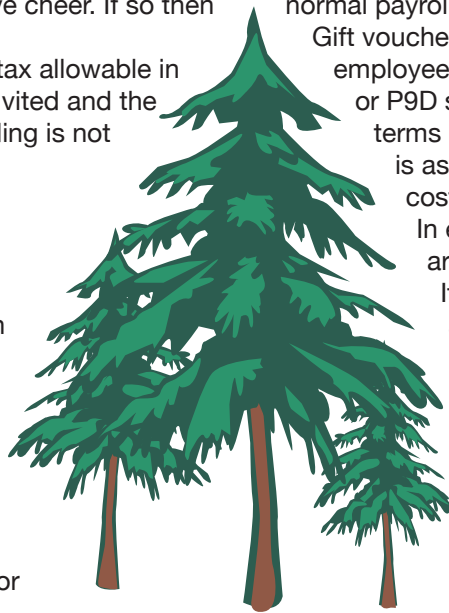
PAYE/NIC purposes and therefore accounted for via the normal payroll scheme.

Gift vouchers are also taxable in the hands of the employee as a benefit in kind via the annual P11D or P9D system. There will also be an on cost in terms of employer's NIC. Similarly a gift in kind is assessed as a benefit at a value equal to the cost to the employer of providing it.

In each of these cases the partnership costs are a tax allowable expense.

If you plan long service awards then these are tax free providing they are in the form of tangible articles not cash, service exceeds 20 years, no similar award was made in the last 10 years and the value limit is £50 per year of service.

On behalf of AISMA, Seasons Greetings to all clients, professional contacts, doctors and practice manager Newsline readers.



QOF changes made simple

A raft of QOF changes and new indicators are on the way for 2009-10.

Kathie Applebee presents an easy-to-digest round-up

There are some major changes to the quality framework with effect from 1 April 2009 which apply to all four UK countries.

The QOF remains worth up to 1,000 points but 72 points have been reallocated to new or amended indicators.

The 72 new points are to be taken from the areas shown in the box below:

Indicator	Current value	Revised value	Points removed
PE2	25	0	25
PE6	30	0	30
SMOKING 3	33	30	3
SMOKING 4	35	30	5
BP 4	20	18	2
CHD 6	19	17	2
AF 3	15	12	3
CON 1	1	0	1
CON 2	1	0	1
Total			72

The new or amended indicators are:

Heart Failure

HF 4 (new): 9 points - thresholds 40-60%

The percentage of patients with a current diagnosis of heart failure due to LVD who are currently treated with an ACE inhibitor or Angiotensin Receptor Blocker (ARB), who are also treated with a beta-blocker licensed for heart failure (unless intolerant or contraindicated).

This is based on the current HF DES for England, to be discontinued.

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Chronic Kidney Disease (CKD)

CKD 5 (amended from 4 points): 9 points - thresholds 40-80%

The percentage of CKD patients with hypertension and proteinuria who are treated with an Angiotensin Converting Enzyme inhibitor (ACE-1) or Angiotensin Receptor

Blocker (ARB) (unless a contraindication or side effects are recorded).

CKD 6 (new): 6 points - thresholds 40–80%

The percentage of patients on the CKD register whose notes have a record of an albumin: creatinine ratio (or protein: creatinine ratio) value in the previous 15 months.

Sexual Health – contraception

SH 1 (new): 4 points

The practice can produce a register of women who have been prescribed any method of contraception at least once in the last year.

SH 3 (new): 3 points - thresholds 40–90%

The percentage of women prescribed an oral or patch contraceptive method in the last year who have received information from the practice about long-acting reversible methods of contraception in the previous 15 months.

SH 4 (new): 3 points - thresholds 40–90%

The percentage of women prescribed emergency hormonal contraception by the practice at least once in the year and who have received information from the practice about long acting reversible methods of contraception at the time of, or within one month of, the prescription.

Anxiety and Depression

DEP 3 (new): 20 points - thresholds 40–90%

In those patients with a new diagnosis of depression and assessment of severity recorded between the preceding 1 April to 31 March, the percentage of patients who have had a further assessment of severity 5–12 weeks (inclusive) after the initial recording of the assessment of severity. Both assessments should be completed using an assessment tool validated for use in primary care.

■ The depression section will be amended so that the period measured to ‘the outset of treatment’ is redefined as being within 28 days of the initial diagnosis rather than the current one month period.

Cardio Vascular Disease (CVD) - Primary Prevention

PP 1 (new): 8 points - thresholds 40–70%

In those patients with a new diagnosis of hypertension (excluding those with pre-existing CHD, diabetes, stroke and/or TIA) recorded between the preceding 1 April to 31 March, the percentage of patients who have had a face-to-face cardiovascular risk assessment at the outset of

diagnosis (within three months of the initial diagnosis) using an agreed risk-assessment treatment tool.

PP 2 (new): 5 points - thresholds 40–70%

The percentage of people diagnosed with hypertension diagnosed after 1 April 2009 who are given lifestyle advice in the last 15 months for increasing physical activity, smoking cessation, safe alcohol consumption and a healthy diet.

Diabetes

DM 23 (replaces DM 20): 17 points - thresholds 40–50%

The percentage of patients with diabetes in whom the last HbA1c is 7 or less (or equivalent test/reference range depending on local laboratory) in the previous 15 months (previous target was 7.5 or less).

DM 24 (new): 8 points - thresholds 40–70%

The percentage of patients with diabetes in whom the last HbA1c is 8 or less (or equivalent test/reference range depending on local laboratory) in the previous 15 months.

DM 25 (replaces DM 7 with one less point): 10 points - thresholds 40–90%

The percentage of patients with diabetes in whom the last HbA1c is 9 or less (or equivalent test/reference range depending on local laboratory) in the previous 15 months (previous target was 10 or less).

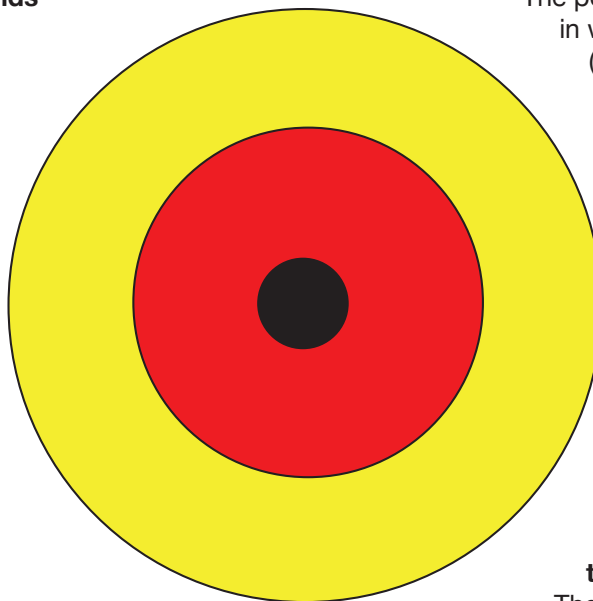
COPD

COPD 13 (replaces COPD 11 with 2 additional points): 9 points - thresholds 50–90%

The percentage of patients with COPD who have had a review by a healthcare professional including an assessment of breathlessness using the MRC dyspnoea score in the preceding 15 months.

Further details, see Letter to the profession from GPC chairman Dr Laurence Buckman, 14 October 2008, at <http://www.bma.org.uk/ap.nsf/Content/gmsconletter14Oct2008> and BMA: QoF Changes and New Indicators for 2009/10 <http://www.bma.org.uk/ap.nsf/Content/QoFChangesOct08>

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Beware the ghost of Christmas past

Be card-smart this Christmas or your plastic will come back to haunt you and cost you more than you think. **Robin Stride** reports

With so many credit card companies chasing GPs' signatures it is important to be canny before you deal with them.

Doctors' incomes mean they are seen as a mid-winter haven for the battered banks but you will have more to spend if you are aware of what has been happening in the market.

There have been some big rate cuts in recent months but borrowing costs have gone up hugely on some cards.

You could be unwittingly paying more even if you pay off your balance each month. According to Moneyfacts.co.uk, the independent provider of personal finance information, in the last quarter 16 cards increased their purchase APRs but 12 charged more for their annual rates, and 11 raised their balance transfer fees.

Others increased their cash advance fees, cut the number of interest free days, or started charging more for shopping abroad. The company's analyst Michelle Slade warns: 'During the past year, card companies have continued to increase the charges on their cards and consumers will find they will be stung more severely than ever before'.

If you or a family member gets strapped for cash this Christmas then know that paying just the minimum is the biggest mistake people make. She says: 'If you can't repay in full, then even paying a small amount over the minimum could reduce significantly the amount of interest and time to repay the debt'. Card rates have gone up from an average 16.8% to 17.2% in three months as companies seek to cut their losses from defaulting users. There are still 0% balance transfer deals over 12 months out there but the choice is diminishing.

Ms Slade says shopping for the best deal for you is now more important than ever because it is unlikely that credit card rates are going to fall.

Reap the rewards

It is much better if your card company pays you money but research from American Express Platinum Cashback Credit Card shows only 45% of cardholders use plastic that rewards spending.

It is offering new applicants cashback at 5% for the first three months on up to £4,000 of spending. From then on, cashback is calculated at tiered rates topping out at 1.5% for aggregate annual spending over £10,000.

At the other end of the scale, one of the biggest plastic nightmare scenarios is to use the credit card for a cash withdrawal. Expect to be hit with a penalty of up to 32% APR.

Research from price comparison website uSwitch.com found that over one million people are using this money to pay their mortgage, loans and household bills. The interest rate on these withdrawals has shot up by 41% over the past three years, it says.

If you are going abroad for a holiday this Christmas or New Year then be even more careful. As well as a single cash withdrawal fee when your credit card is used in an ATM to withdraw cash you may also pay a cash handling fee, a foreign exchange fee and a higher interest rate with no interest free period.

Using your credit card online is another area to watch, especially for busy GPs with little time for Christmas shopping. Safeguard yourself from any ghost in the machine by

checking out www.becardsmart.org.uk

It sets out the simple security steps highlighted by this winter's Be Card Smart Online campaign, which is backed by the UK's banking and retail industries, Visa and MasterCard.

Key themes are to keep your home computer protected by ensuring you have the latest operating system, browser and up-to-date anti-virus software. Look for the padlock symbol - especially if you are buying from a website for the first time. This is a good indication of repute.

And always log out after shopping online and save the confirmation e-mail as a record of your order.



Financial Diary

Topical jottings of a money-minded GP

New patient procedures pay off

The removal of the square rooting formula in 2010 means quality points' value will be weighted according to true prevalence. Without identifying all our patients in each disease category we could lose a lot of money.

Maximising QOF payments is crucial so we are tightening up on new patients. Their new form lists all QOF categories and anyone who indicates they may have a QOF disease is routinely screened by our nurse practitioner. They are therefore coded correctly, get followed up, and patients are listed for disease management clinics. We have found significant numbers were not on their previous practice's disease register. Examples include step 1 asthmatics only using a bronchodilator occasionally and diet controlled type 2 diabetics.

Extra holiday incentive costs nothing

Many practices initially agreed to pay staff a bonus based on QOF points gained. But some regretted this after finding QOF was better managed by a core group of staff yet all got the bonus. Then the financial squeeze made bonus payments unaffordable for some. We have got round this problem in two ways.

Instead of a bonus staff get two days extra holiday if we hit over 96% of QOF points. They like it and their days off cost us no extra. We alter rotas. And our secretaries who took on QOF co-ordination have new job titles. We can reward them with a small pay rise and they were not singled out for a bonus that might have provoked staff jealousy.

Practice survival in a disaster

We have been reviewing disaster and contingency planning. This is not something many practices do well. But if the practice cannot function, the business suffers and we lose money. What would we do if the computers crashed, the phones stopped working, we had a fire or there was a novo virus outbreak and half the doctors and staff were ill?

One important area to consider is long term absence

Top Tips

- Don't miss out on reduced QOF earnings by not having accurate prevalence figures
- Extra days' holidays are a lower cost option than staff bonuses
- Make sure the practice does not lose out if key members of staff have prolonged absence
- Reduced interest rates may allow surgery loans to be paid off earlier
- University marking work can be a useful flexible source of income.

for key staff members. The GPs are relatively easy as we have locum insurance and locum doctors can easily slot in. But our practice manager and in house IT expert have unique skills and only they are trained for some tasks.

We reviewed their jobs and identified their critical roles in the business. Now we have a contingency plan against each task. Most involve training other staff members or engaging outside agencies. So, for example, our accountants now take over staff payroll if the practice manager is off and the local trust's IT department will solve IT problems. And staff enjoy having extra duties and skills.

Credit crunch brings welcome relief

The 1.5% cut in the base rate is good for me. I pay interest at base plus one on my practice building share loan. I will use the extra money to cut my loan and re-pay it sooner. Younger partners are taking the money as extra drawings and say they get tax relief on interest payments. I am cautious about borrowing and concerned interest rates will go high again. I hope to get the benefits in pre-retirement years when I will have no loan and can take all my share of the notional rent we receive as income.

Dropping OOH provides bonus

I have stopped out of hours work. It became more anti social and demanding. For a less stressful and more rewarding income earner I have taken up an offer of some electives marking from the local university medical student electives convenor. It is more pay at £69.30 an hour, more enjoyable and family friendly.

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