

Addition

issue 07 • Autumn/Winter 2024

HEALTHCARE



**AUTUMN BUDGET
RESPONSE**

**UPDATE ON THE
MCCLLOUD REMEDY**

**CLIENT FOCUS:
MADDAFORD CARE
SERVICES LTD**

**HEALTHCARE AT
SIMPKINS EDWARDS**

**PROFESSIONAL
SERVICES PROVIDER
OF THE YEAR**

A SUMMARY OF LABOUR'S 2024 BUDGET

Changes to Employer National Insurance Contributions and the National Living Wage announced in the budget have resulted in significant changes to the way healthcare businesses act as employers (find more on this on page 4). In addition, there were a range of other measures announced that could impact the healthcare sector:

Capital Gains Tax (CGT)

It was well-trailed before the budget that CGT would be increasing, and it is. Albeit not by as much as feared by some.

The lower rate of CGT will rise to 18% from 10% and the higher rate to 24% from 20% from 30 October 2024. The rates on residential property will remain at 18% and 24% - presumably as analysis shows this will yield the maximum revenue for HM Revenue & Customs.

Business Asset Disposal Relief (BADR)

BADR provides a beneficial 10% rate of CGT for business owners for the first £1m of qualifying gains. This includes GP Partners when reducing sessions or retiring from a practice. Under the Budget, BADR survives initially, but the rate will increase to 14% from April 2025 and 18% from April 2026.

One key planning point for partners considering reducing their sessions in their practice is whether it is beneficial to bring the date forward to lock in a lower rate of BADR. For example, if a partner was planning on reducing sessions on 30 April 2025, retiring a month earlier would provide BADR at 10% rather than 14%. Whilst there are other considerations, such as a reduction in their share of notional rent for a month, it is something that could be considered.

Inheritance Tax (IHT)

Another tax-raising measure was the significant change to the IHT regime.

Unused private pensions will now be subject to IHT, generating a potential liability of 40%. Another indirect consequence could also be to reduce the amount of residential nil rate band for an individual. The Residential Nil Rate Band (RNRB) IHT tax-free allowance, of up to £175,000, relates to an individual's residence in certain circumstances. If their estate exceeds £2m, the RNRB is reduced by £1 for every £2 that the value exceeds £2m. The inclusion of pension pots could make this erosion of the allowance more likely.

Business Property Relief (BPR) enables relief of up to 100% on all qualifying business assets. The Budget introduced a limit of £1m for 100% relief, with the excess now dropping to 50%.

Income Tax (IT)

The budget confirmed that the current income tax rates and bands will remain in place until April 2028, at which point they will increase in line with inflation:

Band	Taxable income	Tax rate
Personal Allowance	Up to £12,570	0%
Basic rate	£12,571 to £50,270	20%
Higher rate	£50,271 to £125,140	40%
Additional rate	over £125,140	45%

In addition, adjusted net income in excess of £100,000 is subject to the personal allowance abatement. For every £2 net adjusted income exceeds £100,000, £1 of the personal allowance is lost. This creates an effective rate of tax of 60% for income between £100,000 and £125,140.



The Higher Income Child Benefit Charge (HICBC)

The HICBC is a tax charge designed to claw back child benefit where an individual or their partner has adjusted net income over a certain threshold. The threshold has been confirmed as remaining at £60,000 - £80,000, with 1% of child benefit being clawed back for every £200 that adjusted net income exceeds £60,000.

The personal allowance abatement and the HICBC, in particular, create cliff edges in the tax system that must be planned for to mitigate hidden aggressive rates of tax. With good, regular management information and advice, individuals can plan for these cliff edges and ensure they are as tax-efficient as possible.

If you have any concerns or queries, please contact one of our healthcare experts.

A BUDGET BURDEN ON EMPLOYERS

The build up to the 2024 Budget was dominated by the pre-election promises made by the Labour Party. As part of the manifesto, there was a promise not to increase tax or National Insurance Contributions (NIC) on working people. Despite much debate on the definition of 'working people', it was clear that Employers' NIC was likely to be increased in some form, together with an increase in the National Minimum Wage (NMW).

Employers' National Insurance Contributions (NIC)

The rate at which Employers' NIC is paid on an employee's salary is currently 13.8%. From April 2025, the rate will be 15.0%, an increase of 1.2%. The Government have confirmed public sector employers such as the NHS will be shielded from the increases. However, despite deriving the majority of their income from the NHS, GP Practices do not fall into the definition of public sector, and will incur the increases.

In addition, under current rules the threshold on employee earnings at which NIC applies is £9,100. From April 2025 this will be £5,000, a reduction of £4,100. The direct impact of this measure is a cost of £615 (£4,100 x 15.0%) per employee.

As an example, if a GP Practice employs a Nurse Practitioner earning £40,000, under current rules the Employers' NIC paid by the practice would be:

$$\underline{\underline{£40,000 - £9,100 = £30,900 \times 13.8\% = £4,264}}$$

From April 2025 this would increase to:

$$\underline{\underline{£40,000 - £5,000 = £35,000 \times 15.0\% = £5,250}}$$

The additional cost to the GP Practice for employing the Nurse Practitioner would therefore be £986.

Employment Allowance (EA)

The EA currently enables eligible employers to reduce their Employers' NIC liability by up to £5,000.

To absorb part of the cost of the increase in Employers' NIC, the Government announced an increase in the EA to £10,500.

However, if an employer's activities consist of more than 50% from the public sector, they do not qualify for the EA, and will bear the full cost of the increase in Employers' NIC.

At the time of writing, the Government are yet to announce whether there will be any funding via the NHS contract for the increases.



National Minimum Wage (NMW)

Following large increases in the NMW for 2024/25, the Government announced further above-inflation increases for 2025/26 as follows:

	2024/ 2025	2025/ 2026	Increase %
21 and over	£11.44	£12.21	6.7%
18 to 20	£8.60	£10.00	16.3%
Under 18/ Apprentice	£6.40	£7.55	18.0%

A 21-year-old employee working 37 hours per week on the minimum wage will see an increase of £1,482 (£23,492 - £22,010) in their salary.

These rises, together with the increases in Employers' NIC, present a significant increase in the cost base for GP Practices. In the absence of any funding via the NHS Contract, this presents another significant challenge for Practice profitability in 2025/26. Practices should be acting now to plan for the increases in costs and considering measures to maintain profit margins, such as utilising locums rather than salaried GPs, or reviewing other cost saving measures. Maximising non-NHS revenue also remains a possible avenue for practices to subsidise the increasingly challenging environment Practices are operating in. Our team have created a Payroll Costs Increase Calculator tool which can be used to forecast how these changes will affect your business. This can be downloaded at <https://www.simpkinsedwards.co.uk/payroll-costs-increase-calculator>.

If you would like to discuss the changes, please contact one of our healthcare experts.



UNDERSTANDING THE MCCLLOUD REMEDY

Who is affected by the McCloud Remedy?

The McCloud Remedy affects clients with membership in a public service pension scheme (NHS, teachers, police etc). If you are unsure whether this affects you, follow this link for further guidance.

<https://www.gov.uk/guidance/check-if-you-are-affected-by-the-public-service-pensions-remedy>

What is the McCloud Remedy?

The McCloud remedy addresses the age discrimination that occurred when a new pension scheme was introduced in 2015 by the government. Initially, some members were required to move to the new scheme immediately, while others were transitioned gradually based on their proximity to retirement. This differential treatment was deemed discriminatory by the Court of Appeal in December 2018. As a result, all affected members have had their memberships retroactively moved back to their legacy schemes for the period from 1st April 2015 to 31st March 2022, before transitioning to the 2015 scheme from 1st April 2022. This change will impact the value of pensions on retirement and any tax charges will need to be reviewed. It is advised that members seek advice to understand the full implications of this transition and ensure they are prepared for any adjustments to their retirement plans.

How does the McCloud Remedy Impact Annual Allowance Tax Charges?

Public sector pension schemes are defined benefit schemes. Calculating any annual allowance tax charges involves comparing the pension 'growth' rather than the physical contributions. Since pension benefits accrue at different rates in the new and legacy schemes, members' pension growth figures will vary, leading to potential discrepancies in tax calculations. As a result, you will need

to explore how your tax was calculated or seek professional assistance to ensure compliance and accuracy.

Timeline for Remedial Statements

The NHS Pensions Agency and other public sector schemes are currently issuing remedial statements with revised growth figures. Some of our clients have already begun receiving these statements. HMRC has advised that the deadline for declaring your tax position will be 3 months from the receipt of your remedial statement. Years up to the 2018/19 tax year will not require repaying underpaid tax, although any overpaid tax will be refunded to you.

What should you do next if you think you are affected by the McCloud Remedy?

■ NHS Pension Scheme Members

Seek professional advice to handle the tax implications and HMRC communications. Clients should get in touch with their usual point of contact at Simpkins Edwards for more information. We can assist with the process of handling remedial statements and making necessary disclosures to HMRC, ensuring accurate reporting. **If you're not a client, you can contact us on 01392 211233 or info@simpkinsedwards.co.uk for support.**

■ Members of Other Pension Schemes

For other schemes, we are developing a service to process remedial statements and assist with the necessary disclosures to HMRC. **Please get in touch with a member of our team for further information.**



Next Steps

For NHS staff, the additional reporting fees associated with the HMRC digital disclosure may be reimbursed through the NHS Cost Claim Back Scheme. This scheme allows you to claim back up to £1,000 (inclusive of VAT) for professional fees incurred. To make this process seamless, we will aim for our fees to be within £1,000 including VAT.

We are here to support you with the process of handling remedial statements and making the necessary disclosures to HMRC, ensuring the reporting is accurate as the information required can be complex. If you receive any remedial statements, please do get in touch.



CLIENT FOCUS:

MADDAFORD CARE SERVICES LTD

FROM BED & BREAKFAST TO CARE HOME: A PARTNERSHIP OF TRUST AND GROWTH

Maddaford Care Services (Ltd) is a family-run business with a rich history. Originally a bed and breakfast with 30 rooms, the business transitioned into a care home 12 years ago, now named Lakeside Care Home, in Okehampton, Devon. The property itself has been in the family for three generations, starting from when the grandparents first acquired the farm. This deep-rooted legacy has been a cornerstone of their business.

Whilst operating as a bed and breakfast, they collaborated with the nearby Ashbury Golf Course, providing guests with access to leisure facilities. This partnership was integral to the business, enhancing the guest experience and contributing to its reputation for quality hospitality. Even now, Lakeside has a golf buggy to take residents around the grounds.

A BUSINESS EVOLUTION

Maddaford Care Services has been a client of Simpkins Edwards for over 30 years. Throughout this longstanding relationship, they have navigated numerous challenges, including transitioning from a bed and breakfast to a care home. This shift necessitated a comprehensive restructuring of services to meet the new demands of the care industry, which Simpkins Edwards supported through their expertise as well as working closely with other professional services such as banks and solicitors ensuring a smooth transition.

The COVID-19 pandemic posed an even greater challenge, demanding a firmer approach to management and immediate action on emerging issues. During the pandemic, Simpkins Edwards played a key





role in helping Maddaford Care Services secure Job Retention Grants ensuring staff were paid during lockdown. They managed furlough applications, calculated entitlements and ensured compliance with evolving guidelines providing stability during a challenging time.

‘CARING’ ABOUT FINANCIAL INFORMATION

During this time working with Simpkins Edwards, Maddaford Care Services has benefited from a comprehensive set of services. These have included payroll management, quarterly management accounts, and management information reports that detail the financial performance of each bed within the care home.

This dynamic approach to accounting has allowed the family to make informed decisions regarding the business as situations arise, rather than waiting until the end of the financial year. Unlike traditional accountancy methods, which often provide financial insights retrospectively and annually, the rolling accounts and real-time data offered by Simpkins Edwards empower Maddaford Care Services to react promptly to financial trends and market or operational needs.

BEYOND THE BUSINESS NEED

Additionally, Simpkins Edwards has provided invaluable assistance with financial planning and dividend distributions. We have also supported the family with personal financial affairs, including inheritance tax planning, ensuring

a holistic approach to their service.

Recently, the family has turned their attention back to their agricultural roots. With the younger generation showing interest in farming, they plan to run this alongside their care home business.

The family describes their experience with Simpkins Edwards, and specifically Lisa Wonnacott, Director, as more personal and familial than a typical business relationship. They feel confident and worry-free, knowing they can have open and honest conversations. They view Simpkins Edwards not just as their accountants, but as trusted advisors who always have their best interests in mind.

“Our close relationship with Lisa is key. Whenever there’s a query, a simple phone call can often resolve it. The personal touch is invaluable.”

The relationship between Maddaford Care Services and Simpkins Edwards exemplifies the importance of trust, adaptability, and personal connection in business. From diversification to overcoming the challenges posed by the pandemic to exploring new ventures in farming, this enduring relationship has been a pillar of support and growth for over three decades.

If you are a Care home looking for support, contact info@simpkinsedwards.co.uk or call 01392 211233 to arrange a free initial discussion

IT'S OFFICIAL!

Professional Services Provider of the Year 2024.

We're delighted to have been awarded the title of Professional Services Provider of the Year by the General Practice Awards. The judges were looking to select a company who have provided outstanding guidance and service to clients over the last 12 months, including working together to tackle specific challenges and offering clear benefits to the healthcare sector.

Our specialist healthcare team work incredibly hard to offer a forward thinking and strategic service to our clients in the healthcare industry. We go beyond compliance activity and empower clients with real-time data and forecasting, to make decisions for the growth of their practices, fully informed, whilst supporting individuals with their finances too.

Partner, Seb Beard says:

"We work hard to offer our GP and PCN clients a unique, impactful and high-quality service, and it's brilliant to see this recognised. The team is growing so that we can support an increasing number of practices. Given the significant number of unknowns within primary care, more practices are needing to make rapid, proactive changes; it's a pivotal time to be supporting the healthcare sector."

It's an honour to receive recognition with this award, and we look forward to engaging with more GP Practices in 2025!



HEALTHCARE AT SIMPKINS EDWARDS

This year has been an exciting one for our healthcare team! We've welcomed three new members including Jenna, our Director of Healthcare Services, who joined in April, and Kelly Derham who recently joined our Exeter office as a Senior Manager.

When Jenna joined, she shared:

"I'm thrilled to join Simpkins Edwards and collaborate with a team that has achieved great success in the healthcare sector. Together, we'll build on this strong foundation to expand our services and support more clients".

The team has been busy representing the firm at major events, including Best Practice Birmingham in October and the launch of our newest healthcare event **'The Business of General Practice'** (more info overleaf).

With lots planned for future events, including a post-Christmas employment update for practice managers in Cornwall, be sure to keep an eye on our events page for more information (www.simpkinsedwards.co.uk/events)



Jenna Clark speaking at Best Practice Birmingham



Volunteering at Okehampton Medical Centre



Our own event, 'The Business of General Practice'



James and Haydn speaking to the Association of Paediatric Chartered Physiotherapists

THE BUSINESS OF GENERAL PRACTICE

In September, we were delighted to hold our first all day event for the healthcare industry; **“The Business of General Practice”** at The Courtyard in Exeter. This event provided an opportunity for learning, growth and sharing of insights into the challenges and opportunities faced within the healthcare sector for GP Partners, Practice Managers and PCNs.

The day featured seven speakers with topics covered including GP Partnership Changes, Running a Commercially Minded Practice, A Profitable Dispensary to name just a few.

The sessions were not only highly informative, but also sparked valuable discussions among the attendees -

“all sessions were very informative, looking forward to the next one!”.

The networking breaks provided opportunities to connect with peers facing similar challenges, and with experts offering guidance.

We are pleased to confirm that the event will return on **Wednesday 14th May 2025**.

If you would like to join the guest list and gain exclusive access to expert-led sessions, please get in touch via info@simpkinsedwards.co.uk! Don't miss the opportunity to enhance your financial strategies and connect with industry peers.

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