

Primary Care Network (PCN) Conference

Sheffield
LMC



SATURDAY 8 FEBRUARY 2020

TAX UPDATE ON PCNS – PRESENTATION BY HMRC

Due to the flexible modelling nature of PCNs, HMRC is not able to give specific advice, merely broad guidance. This is because PCNs may have a Lead practice arrangement, LLP, joint venture or federation-led model.

The main question for HMRC is what is being supplied?

- Is it exempt medical services?
- Is it staff?

If organisations tried to barter services HMRC will certainly look at VAT implications.

There is guidance on legislation available and employers should follow this and come to their own conclusion about VAT. HMRC will not reply to requests to check if employers think their assumptions are correct.

EMPLOYMENT STATUS

HMRC will instigate a Compliance Check if they think there is an incorrect application of tax status. This is expensive and time consuming as it may include NI contributions, Income tax payments, penalties up to 100%, time and possible court proceedings.

Employee vs Self-employed: HMRC will look at a contract in terms of who has control of rights, financial risk, right of substitution. PCNs will be liable for PAYE and employer NI contributions of employees. They can use the Check Employment Status for Tax (CEST) online tool to check the status. HMRC will stand by a CEST result if the information has been completed accurately.

Office Holder: This applies to a post where the role remains the same, even if the person changes. They will ALWAYS be employees liable to PAYE. Although HMRC would not commit they did say that the Clinical Director (CD) role appears to be an Office Holder appointment.

ACCOUNTING TAX AND VAT

The employer (PCN) carries the risk so needs to determine the employment status of their staff. Seconded staff are liable to VAT!

If in doubt declare employee status and pay PAYE, however PCN liable for employee NIC. Self-employed status is likely to attract VAT.

For CDs the salary can be paid into a practice but this will be net of NIC and income tax.

£1.50 should be treated as a practice income and is taxable at 40% as it is not designated for any particular purpose. It can be carried over to next tax year but will be taxed. If it is used the following year for service provision tax can be reclaimed the next year. It is possible that funds for a specific purpose, eg development funds can be carried forward without tax.

Employment by one practice and shared across other practices are likely to attract VAT. Joint contracts of employment by all practices will not attract VAT but are an employment law nightmare.

Third party providers that supply staff will be liable to VAT unless they can be proved to be medical services.

CD role is likely to attract VAT as it is not supply of medical services, more management role.

ALWAYS SEEK PROFESSIONAL ADVICE, this is only guidance.

DR ALASTAIR BRADLEY

Chair