Factsheet: Tax planning for GPs

Larking Gowen

The tax landscape is always changing, and looking at how we can mitigate the amount of tax we pay is as popular a subject as ever. One thing that's certain is that tax is unavoidable, however, there are certain things we can do to reduce the amount of tax payable. Some of these are set out below:

Claiming deductible expenses

For self-employed individuals, expenses must be incurred wholly and exclusively. If you're employed, the expenses also must be necessary for you to perform your duties.

Examples of expenses to claim against self-employment income are:

Office costs— i.e. stationery or phone bills

Financial costs— i.e. insurance or bank charges

Travel costs— i.e. fuel, parking, train or bus fares

Costs of your business premises— i.e. heating, lighting, business rates

Clothing expenses— i.e. uniforms

Advertising or marketing— i.e. website costs

Staff costs— i.e. salaries or subcontractor costs

Training courses related to your business— i.e. refresher courses

Things you buy to sell on— i.e. stock or raw materials

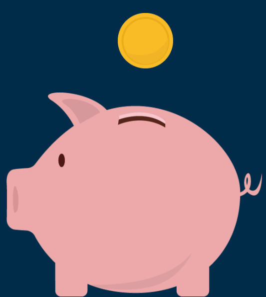
Use of home as office— HMRC flat rate based on hours worked from home or actual expenses method

You must keep records and supporting documentation for any expenses claimed, and you must also be able to justify any claims. Maximising expense claims will reduce your taxable income. However, expense claims do also impact on pensionable income (lower income equals lower eventual pension).

Tax efficient investments

Examples are:

- ISAs
- Premium bonds
- EIS
- SEIS
- VCTs
- Child trust funds/junior ISAs



ISAs, premium bonds and child trust funds/junior ISAs are all relatively low risk and give a tax-free return. VCTs give 30% income tax relief on the initial investment (up to £200k of investment per year), SEIS and EIS investments give 50% tax relief on investments (up to £200k of investment for SEIS and £1m of investment for EIS), but these are all risky and you should speak to independent financial advisors before making any investment decisions.

Pension contributions

You receive full tax relief on contributions, however, if you're an active member of the NHS Pension Scheme, you'll need to be careful of annual allowance tax charges, particularly if making contributions to a private pension scheme on top of your NHS Pension, and/or you still have an added year's contract within the NHS Pension Scheme.

Maximising allowances available to you

Personal allowance – £12,570
Tapered by £1 for every £2 of taxable income over £100,000

Trading and property allowances – £1,000
Can claim both, or one or the other, or neither. Check if expenses give greater relief than the allowance

Dividend allowance – £1,000
Reducing to £500 for 2024/25

Personal savings allowance – dependent on tax band
Basic rate taxpayer – £1,000
Higher rate taxpayer – £500
Additional rate taxpayer – £Nil

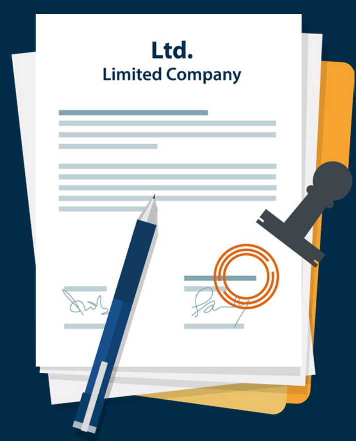
Marriage allowance
Only applicable if one spouse earns less than the personal allowance and the other is a basic rate taxpayer

Business structure

Different types have different tax rules, so consider and seek professional advice to check that your business is structured in the most tax efficient way.

The options available are:

- Sole trader
- Partnership
- Limited liability partnership
- Limited company (limited by guarantee or shares)



Planning for disposals of assets on which capital gains tax will be due

Transferring assets to your spouse or civil partner does not attract capital gains tax (CGT), unless:
- You separated and didn't live together at all in that tax year.
- You gave them goods for their business to sell on.

They would pay CGT if they later sold an asset that you had given them on the difference between the amount they received and the price you paid.

CGT on residential properties must be reported and paid within 60 days of the completion date.

Exemption for all or part of the gain if that property was your main residence during your ownership.

Any tax on a disposal of an asset can be deferred by investing in EIS shares, if the amount invested is equal to the amount of the chargeable gain. Gain is then realised when EIS shares are sold, but only in relation to the original gain as uplift in EIS share values are exempt from CGT.

Gift/holdover relief – both parties must agree to this.

Business asset disposal (entrepreneurs) relief:
- Can apply to shares or sole trade/partnership business.
- Must meet qualifying criteria e.g. business assets must be disposed within three years of cessation.
- Tax at 10% on all gains on disposals up to lifetime limit of £1m.

Rollover relief – when you sell or dispose of some business assets and use the proceeds to buy new assets.

Loss relief – losses are carried forward, so make sure details of losses are included on tax returns!

Consider timing of disposals to maximise use of annual exemptions.

You should always seek professional advice before making investment decisions and any options available to you so that you can reduce the amount of tax that you're paying.

Need help?

If you'd like to discuss your tax planning in more detail, please feel free to get in touch with your usual Larking Gowen contact or look for contact details in the **Our People** section of our website. Alternatively, call 0330 024 0888 or email **enquiry@larking-gowen.co.uk**.