

Money Clinic

Phase 2 of HM Revenue and Customs 'Tax Health Check' - June 2011

Tax Health Check

Background

The taxman has become convinced that a significant amount of tax is being underpaid by medical professionals. In an attempt to recover some of this purported tax shortfall the taxman, last year, began his tax health check program with an amnesty for medical professionals to declare any previously unreported income or over claimed expenses and receive only a 10% penalty on top of the underpaid tax.

Phase 2

The amnesty, from the point of view of the taxman, has been a failure and HM Revenue and Customs have therefore just announced phase 2. This will involve a large number of records checks being undertaken on medical professionals and their practices.

In particular they are interested in ensuring that all sources of income have been accounted for, this includes all private fees, fees from insurance companies, cremation fees and fees earned from drugs companies. They are also interested in looking at private use add-backs for items such as motor and travel, Private telephone and any other expenses with a duality of purpose (both business and Private).

Finally they are also looking closely into claims for tax relief on use of home as office.

They have also indicated that where they find issues in any of these areas they will attempt to charge the maximum penalties.

We understand that the taxman has obtained information using notices issued to insurance companies, drugs companies, the NHS, out of hour's services, hospitals and hospices etc. and is now in the process of comparing this information to previously submitted tax returns and accounts.

We would recommend to ensure that you can substantiate any claims made, for example, that you keep a log of both your business and Private mileages for a sample period each year and use this as a basis for any private use add backs.

If you wish to make claims for use of home as office the latest guidance from the taxman suggest that you should record all of your household expenses that would be allowable if the premises was purely used for business such as mortgage interest, rent, council tax, Insurance and repairs etc. This should then be allocated between the number of rooms in the property and the percentage of time that the room is used for business purposes. It is important that this is not 100% as this would restrict your principal Private property relief for capital gains tax on the eventual sale of your home.

We understand that the first notices of such record checks are now being issued. If you receive one of these you should contact your advisers immediately and ensure that HM Revenue and Customs is aware of your duties of patient confidentiality and that they are not entitled to see any documents referring to particular patients, without appropriate legal authority.

This If you would like to discuss the above further, please contact either Philip Redhead, David Belbin or Neil Windley at our Romford office on (01708) 333308 or e-mail philip.redhead@cbhc.uk.com

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Meet the Medical Team

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Philip works as partner of our Specialist Sector Team, which has been established to maximise the services we provide for sectors where we have substantial expertise. These include medical practitioners and GPs, charities and not for profit organisations, education, and legal and professional services.

Philip works closely with David Belbin, and together they provide a complete range of services, from full accounting, tax compliance and planning, to audit and corporate governance.

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David is the Managing Partner of CBHC, and specialises in working with charities and non profit organisations, delivering services such as accounting, financial advice and auditing. In addition to being a Chartered Accountant, David also holds a full diploma in Charity Accounting and is a widely regarded as an expert on this growing and important sector, which now extends much further into areas such as education and health. David is also the chairman on the CharterGroup Healthcare Business Development Group.

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