

# Handy housekeeping hints

Phil Harnby suggests a polishing up of admin arrangements and a spring clean of practice agreements help oil the wheels of change

Last month's financial tips on how to deal with changes in GP partners discussed issues surrounding succession planning, pay outs and premises. This article will focus on several other administrative areas that need to be addressed when a partner leaves or joins a practice.

## Tax and National Insurance

A new partner joining needs to register with the taxman as a self employed individual if they aren't already and the partnership will also need to inform HMRC of the changes. The GP will also need to be set up to pay Class 2 National Insurance. Conversations with the GP about how the UK tax system works for self-employed individuals should also take place. This prevents any issues come the 31 January and 31 July tax payment deadlines.

## Who pays the tax?

New partners should be told who is responsible for paying personal tax bills in January and July. Some practices manage this by setting aside amounts each month on behalf of partners and then paying their tax bills. Others expect partners to save some of their drawings and pay their own tax direct to HMRC. At our firm, we ask to meet with new practice partners to explain how finances work. This ensures everyone has the same understanding. If you don't get this opportunity, pester your accountant until you do.

## HMRC housekeeping

Departing partners also need to make HMRC aware they have left, and there may also be other issues to consider depending on why

they are leaving. Retiring may not necessarily mean a partner's tax payments will suddenly drop, and if your practice doesn't have a March year-end, overlap reliefs will come into effect. Discussing this with your accountants/tax advisors will again ensure everyone is aware of all of the consequences on any decisions made.

As with all things relating to HMRC, timing is everything and a quick phone call to your accountants/tax advisors should ensure you are taking advantage of any particular allowances.

## Practice agreement

The practice agreement is the heart of any partnership especially when it comes to changes in the partnership membership. Whether you are recruiting a new partner to replace a departing one, or you are expanding with an additional partner, this is a change in the partnership and so a new partnership agreement needs to be drafted. If you regularly update and monitor your partnership agreement, this shouldn't be a costly exercise, but if you haven't looked at your agreement in several years, a fair amount of work may be needed.

It is also a good opportunity to change anything in the document that none of you agree with and add in anything which may be useful, as it is much easier to agree changes now with the new partnership than it will be several years in. Open discussion remains key to ensuring everyone is happy with the document and you don't create resentment from the first day.

## Involve new partners

A new partner needs to be involved in the process to ensure they have "buy in" to the



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document and agree to its contents. Of course a leaving partner won't have any input within the new agreement, and their leaving needs to follow the old agreement.

Everyone wants to avoid fallings out when a partner leaves, and the agreement is the fall-back position should disagreement occur – it would have been agreed when everyone was happy and, at the time, it was fair so it should still be fair now.

## Seek specialist advice

Remember to consult your solicitor and accountant when drafting a new agreement and they should work in partnership when advising you all. At the end of the day, the key to all succession is flexibility, as you are setting your practice up for the future, not right now. What was accepted as the norm 10 or even 30 years ago, when you joined, may not be appropriate for the 30 year old you are trying to entice into partnership now. It's all about compromise and the key to compromise is that nobody should lose out.

## Clean sweep

- Discuss how the UK tax system works for self-employed individuals with a new GP
- Explain how practice finances work – or better still, get your accountant to do this
- Call your accountants/tax advisers re: anything relating to HMRC and allowances. Timing is everything!
- When there's a change in partnership then a new partnership agreement must be drafted
- Open discussion is key to keeping all parties happy
- Remain flexible – remember, times change

