

# Ready for more locums in your practice?

Accountant Barry Rigby has an update for practice managers on how to manage locum pay, tax and pension contributions



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**U**ntil relatively recently, locum doctors were used mainly to provide cover for relatively short periods of absence by a partner or salaried GP.

However, many factors, including pressure of work and increased taxation on pension savings, have contributed to an exodus of GP partners. Many are looking to retire as soon as possible and others are reducing their working commitment to enable them to cope.

With partners disappearing, practices may well need to rely on the services of locum GPs for longer periods of time and more frequently.

## How much to pay?

When it comes to calculating the rates paid for locums, the practices we work with find that this can vary enormously:

- Hourly: £85–110
- Half day: £220–300
- Day: £440–600

Meaningful figures for sessional work are difficult to measure as the length of a session can vary from two to six hours.

## NHS England indicative rate

NHS England has recently set an 'indicative rate' for locums at £80 per hour. In a unilateral requirement imposed by NHS England, practices must report each time they pay over this rate. Confusingly, NHS England has said that the £80 per hour rate is not intended to be a cap but is a data collection exercise.

Quite why NHS England as commissioner should feel it necessary to require practices as independent contractors to give information about payments made to locums, who are

effectively subcontractors, is not entirely clear. Inevitably, past experience leads us to be cautious about the motives.

Turning to other practicalities, pensions, tax and VAT are the main financial issues practice managers need to be aware of.

## NHS pension scheme

Where locum services are provided by an individual who is a member of the NHS pension scheme, 90% of the income is pensionable. Forms GP Locum A and GP Locum B will need to be used. The locum provider will require a GP Locum A form signed by the practice for each engagement. The practice should add employer pension contributions at 14.3% of the pensionable amount to the payment made to the locum. The GP Locum B form is the locum provider's monthly summary with which they should pay their combined employer and employee pension contributions. Any GP provider must pension all income which is pensionable. This, on the face of it, is not optional. There is, however, also a requirement that forms A and B must be submitted within 10 weeks of locum work being carried out or the income becomes non-pensionable. In practical terms, this, therefore, seems to make the pensioning of locum income optional.

## Period of engagement

Where an individual locum is engaged for a period exceeding six months, they should normally be treated as a type 2 practitioner, which is the same as salaried GPs for NHS pension purposes. The practical effect of this is that relevant pension contributions will be deducted from practice income through the Open Exeter system, based initially on



the estimate of pensionable income supplied by the practice. However, it will then be necessary to carry out an annual reconciliation of contributions due and paid, which in turn depends on the type 2 practitioner certificate being prepared and submitted by the locum.

There is also a danger that HMRC might argue that locums engaged for longer periods should be treated as employees for tax purposes, meaning that they would be dealt with in the same way as salaried GPs for tax (PAYE) as well.

### Not contributing to the NHS pension scheme?

Where services are provided by an individual who is not a (contributing) member of the NHS pension scheme or via a third party, such as a private limited company or agency, the income will not be pensionable, saving the practice the 14.3% employer contributions which would normally be payable. In such cases, some practices are willing to pay a higher rate to the locum in lieu of the employer contributions that they are not required to pay.

### Private limited companies

For many years, some GPs have earned some of their income via a private limited company

as part of their family taxation planning. There are arguments for and against such arrangements. More recently, we have found that some GPs are forming private limited companies through which to pass some of their income, simply to make this income non pensionable, reducing their accrual of benefits and potential issues with reduced annual and lifetime allowances.

Here, practice managers need to be aware of the existing tax rules that apply to the engagement of individuals through an intermediary. They also need to know about proposed new rules that will tighten up the existing rules, and that will apply to all public sector organisations, including GP practices. Under the proposed new rules, practices will be required to use an online tool to confirm whether the individual providing their services through a private limited company should, in fact, be treated as an employee and paid through the payroll.

### VAT

Finally, a word about VAT. Where locums are provided via a third party, it is possible that VAT will be charged on the supply of services. In the majority of cases, this will add 20% to the cost to the practice. **PM**