



## Business vows

A formal construction of a relationship is as important in business as it is domestically. Business relationships, like personal relationships, can take many forms. **Martin Murray** elaborates

**T**he simplest business relationship is employer and employee. An agreement is reached in which one party sacrifices his/her time and skill for remuneration. This can be a simple oral agreement, but preferably it should be in writing.

Each party signs to acknowledge the commitment each has to each other. Similar types of relationships exist that are not employer/employee but the similarities are such that it is difficult to differentiate. However, the tax and national insurance payments that can be saved by such informal arrangements are such that the Revenue may wish to scrutinise them.

Just as in a divorce, the penalties payable can be significant if the Revenue determines that the arrangement should have been employer/employee.

A substantial number of business people come to an arrangement with other like-minded individuals or companies for the supply of goods and services. This can, in some cases, extend to a joint venture.

This type of business relationship can take many forms. In essence, this can be broken down into three main building blocks.

### Expense share

In its simplest form, the parties agree to share expenses. Any income is kept by each of them. This is akin to barristers and dental practitioners. It is preferable that an agreement is in place particularly where there is property, equipment and shared staff. Each party to the agreement declares their own income less expenses to the Revenue.

In some cases there may be some cross-referrals for doctors. Even though there is no sharing of income, it could be construed that the referral was made

to benefit the other party financially that shares, say, in co-ownership of the property or use of the equipment. In such circumstances it would be advisable to seek clarification from the General Medical Council in respect of the need to inform the patient.

### Partnerships

As the commitment increases, some relationships move onto a different level. This can involve the sharing of income as in a partnership. Most partnerships have a written agreement. In the absence of one in a dispute, reference is made to the Partnership Act of 1890.

Partnerships have been compared with marriage in that there is increased commitment and sharing of income. However, just as in some marriages, there can still be outside interests.

For many doctors this takes the form of continuing with their own cosmetic practices. The normal problem that causes a break-up of a partnership—similar to a marriage—is the blurring of personal belongings and what belongs to the partnership by way of income and expenses.

A new form of partnership known as a limited liability partnership (LLP) uses the same analogy of marriage, akin to a pre-nuptial agreement. In a normal partnership, each partner is joint and severally liable. In an LLP each partner's liability is limited to what they have agreed to invest.

Many doctors find LLPs a convenient method of joining with each other, as liability is limited—not just to each other but to the outside world, like shares in a limited company.

In the ever-changing world of relationships, an LLP is like a hybrid between a normal partnership and a limited company. Unlike the expense-

sharing arrangement, a joint declaration to the Revenue is needed.

### Limited companies

Just as for an LLP, the liability of each shareholder is limited. To some extent the commitment each shareholder has to each other is not as strong as, say, in a partnership. Although in some limited companies the commitment can be just as great as that of a partnership, whether it is a normal partnership or an LLP. Possibly, the company has been set up to save tax or at least defer it until a later date.

If a company is set up, it is important that each director shareholder is fully aware of the combination of the corporation tax the company will pay and any additional income tax by the individual director shareholder.

For most doctors still employed by the NHS, a company does not result in much, if any, saving of tax—the NHS employment will have already pushed them into the higher rate tax bracket.

The business ventures of doctors take many forms with overlaps with other practitioners. A doctor can have his/her own cosmetic practice and at the same time be the director shareholder and partner of different cosmetic activities providing services in combination with other practitioners.

For many cosmetic doctors this will be the way forward—the services required by patients will, in the future, overlap certain specialties and sub-specialties.

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