

STARTING A PRIVATE PRACTICE

Wishing many happy returns



The anniversary of your private practice commencement is a good time to take stock of the success of the last 12 months and look forward to developing your business. **Ian Tongue** shows what to consider

Happy B'day

MANY CONSULTANTS experience good growth in the first year, so it can be difficult to find the time to reconsider your options in a few areas. This article looks at a few areas which you should consider now that you have found your feet.

The structure in which you trade can have a significant impact on the amount of tax you will pay on your private practice profits.

Many consultants start off as a 'sole trader', which is often the easiest way in terms of adminis-

tration and tax. However, depending on your circumstances and income level, it may be worth considering a different structure such as a limited company or partnership.

In particular, the tax status of your spouse is important, as usually the savings come from this side of the equation.

Limited company

A limited company can be particularly tax efficient if your spouse has limited or no other sources of

income. It is becoming a more popular method of trading for consultants; however, trading in this way is fundamentally different to being a sole trader.

Before changing to this structure, you should consider the tax savings in the context of the additional administration, profit extraction method (getting your money out) and disruption to your private practice.

Entering a partnership

This has also become more popular in recent times. This structure operates for tax purposes in a similar way to being self-employed, but the profits are divided up.

Each party pays income tax on their share of the profit and, therefore, a spouse being involved in this arrangement can generate tax savings if they are paying tax at a lower rate.

There is no 'one size fits all' advice in terms of the most appropriate structure to use. Speaking with your accountant, who should assess all the factors given your circumstances, should ensure that the right structure is used.

Within this series of articles, trading structure was covered in more depth within the July/August 2009 edition of *Independent Practitioner Today* (back copies £10 including postage and packaging. Phone 01752 312140).

Management software

A year on and you are, no doubt, looking at efficiencies and cost savings that can be gained. You may have started out with basic records but it may be worth con-

sidering bespoke practice management software.

This type of software is widely used by consultants and the message I hear as an accountant from clients is that it pays for itself in no time if you run a busy practice.

Most software providers offer demonstration disks and they frequently attend medical seminars and conferences, so there are plenty of opportunities to view before you buy. Speaking with colleagues in this area is also worthwhile.

Indemnity cover

The dreaded indemnity cover is usually one of the largest – if not the largest – expense of the practice, particularly for a surgical specialty and it takes managing to avoid under- or overpaying.

One of the complications can be cover period that is not coterminous with your accounting year end.

When starting out, you will not have a clear picture of your expected profit levels, particularly with the current uncertain economic times. However, understating your income level to achieve a lower premium is a false economy and could lead to the defence organisation not honouring a claim.

If you did initially declare a figure lower than your actual income level, then it is vital that you inform your insurer and pay the necessary additional premium to ensure that you are adequately covered.

There are new entrants into the medical insurance market, so make sure you shop around. Cost should not be the only driver here, as quality of service is important should you unfortunately have a claim against you.

If you are moving away from the mainstream insurers to achieve a lower premium, make sure that you do your homework to ensure that the cover is comparable and they will deal with a claim in the same way.

Joining a group

Now that you are establishing yourself, you may be asked to join colleagues in a group or perhaps you have identified an opportunity and need others to take it forward.

There appears to be more groups being established than ever before and the old adage of strength in numbers can certainly apply here. Apart from economies of scale, a group can offer security and a support structure as well as potentially increasing your private earnings with new sources of income.

If you are asked to join a group or are thinking of forming one, it is worthwhile speaking to an accountant who has experience in setting up such groups for medics.

Meet your accountant

A meeting with your accountant is always worth having, as you will, no doubt, have many questions for them that you did not get round to asking. Your circumstances will also have changed and, therefore, it is a good opportunity to discuss your plans and aspirations again.

Your accountant should be able to advise on practical aspects of your business as well as accountancy and taxation.

Independent financial advice

No doubt as your private practice is growing, so will your wealth and you should speak with an independent financial adviser (IFA) to ensure that you consider wealth generation and protection for your loved ones.

Taking independent advice is a good idea, but I would always recommend discussing any plans or schemes to lower your tax liability with your accountant in detail to ensure that you understand the implications and risks.

Reviewing your private practice business on an annual basis is a good idea, not just on your first anniversary.

Having found your feet, there are likely to be a number of areas that can be improved both in terms of costs and efficiency. Speaking with your accountant should ensure that you are utilising any available tax planning opportunities and are revisiting practical aspects of running your business.

Next month: capital gains tax explained

Ian Tongue is a partner at Sandison Easson & Co, specialist medical chartered accountants

HSBC Business



A better financial prognosis.

At HSBC, we understand that you don't choose medicine because you want to run a business. Yet that is the reality facing GPs and other medical professionals today – especially with the healthcare reforms on the horizon.

HSBC has a dedicated team that supports doctors with business planning and day-to-day practice management. We help you with the business, so you can focus on the patients.

Why not contact a specialist for a financial review and make the most of future business opportunities.

Call 08455 840658*

Email tonyburgess@hsbc.com

Click www.hsbc.co.uk/business

HSBC



The world's local bank

Issued by HSBC Bank plc. *Lines are open 9am to 5pm Monday to Friday (excluding public holidays). Communications may be monitored and/or recorded for security and service improvement purposes. AC19570