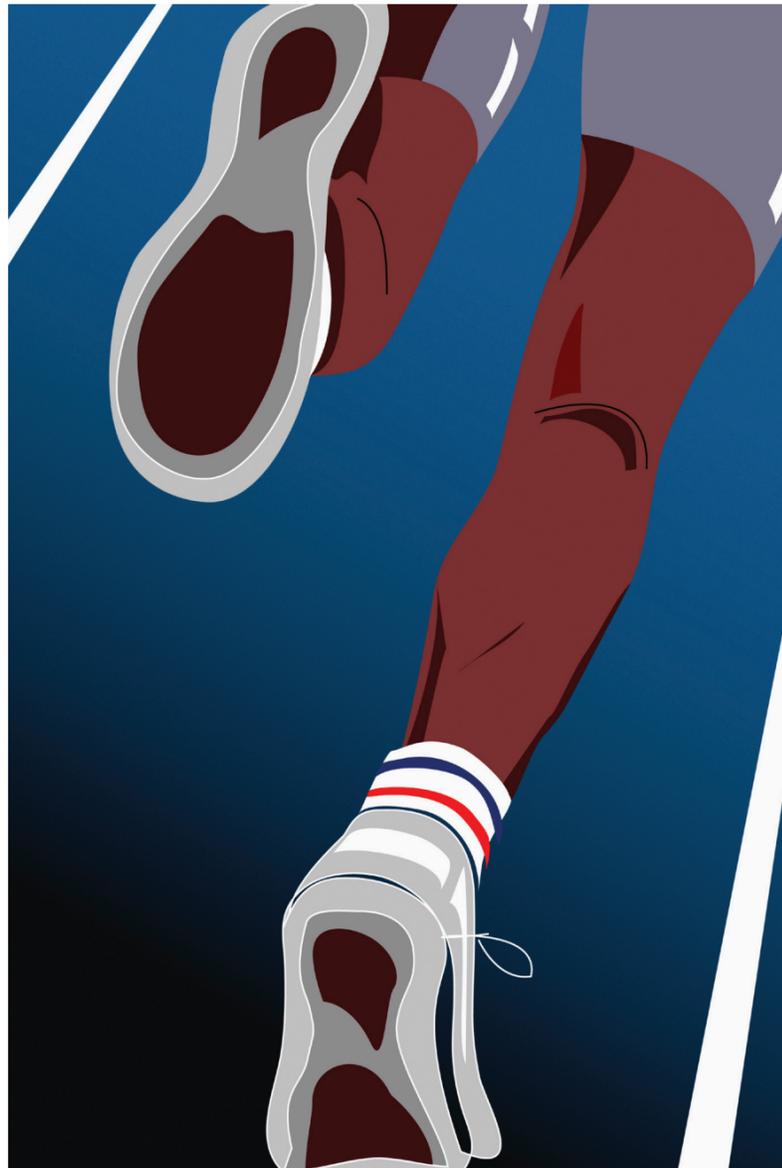


STARTING A PRIVATE PRACTICE

Ready, steady ... go!

Many new consultants find the administration, accounting and taxation issues of starting a new practice daunting. But it need not be, as **Martin Murray** shows



WITH CAREFUL planning and good advice at the outset, the first steps into the realms of private practice will allow you to hit the ground running.

All that is basically required for administration is a telephone for point of contact, a postal address, a good secretary and a computer. It is really as simple as that.

Accessibility is vital to ensure that the first maxim of private practice – ‘availability’ – is adhered to. The telephone and secretary are vital to ensure that individuals and organisations know you are available.

It is essential that GPs and other referring groups know you exist, so make sure the private hospitals circulate all relevant parties.

Follow this up with seminars and meetings. Depending on your specialty, check out whether there are local patient groups that you could visit. Build up a presence.

Websites are in fashion in a big way. Plastic surgeons, for example, are among growing numbers of specialists who are finding websites a good source of referral. In their case, it seems young females are more familiar with web use than their male counterparts. A website need not cost the earth, but it is vital that it looks professional and is well maintained.

What often lets down new consultants are their letterheads. Gone are the days when one could simply use a Word document with an appropriate heading and postal address. Seek out the services of a professional printer. It does not cost all that much and, in any case, it is tax-deductible.

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WHAT YOU CAN CLAIM FOR

- Salary to spouse
- Pension for spouse
- Use of house
- Use of cars (can in some cases include both cars)
- Diminution in value of cars and equipment
- Room charges
- Assistants
- Secretaries
- Professional indemnity
- Professional subscriptions
- Equipment
- Conferences and meetings
- Postage and stationery
- Medical supplies

When you have got everything in place, make sure that the record-keeping will keep pace with all the referrals. Some consultants use manual records, others use Excel, Access, or dedicated software packages.

The dedicated packages are good in so much as they integrate a number of functions from simple Word documents to financial reports and, more importantly in some cases, clinical outcomes.

Before investing in them it is worth obtaining a demonstration or at least a demonstration disc.

Specialist accountants

It is essential in the ever-changing health care market that you obtain the services of an accountant who is, at the very least, familiar with the affairs of consultants in private practice. Preferably go for one who specialises in independent practitioners.

The first thing to do is to open a separate bank account for the deposit of private practice income and, as far as possible, for the payment of private practice expenditure.

Consultation fees are variable and, as well as being specialty-specific, in some circumstances they can also vary regionally. Plastic surgeons, particularly in London for example, may not charge an initial or follow-up fee, whereas their colleagues outside of London generally do. Their charges may be less than other surgical specialties where most of the private patients are insured.

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specialties will charge £160 to £180 for an initial consultation with £120 to £140 for a follow up. For neurologists and psychiatrists, the initial and follow-up charges can be £240 to £280 and £200 to £240 respectively.

Your collection of outstanding fees is one of the most essential aspects of the accounting function of the private practice. Without timely reminders, patients soon forget that they actually saw you, let alone appreciate all your hard work and efforts.

For insured patients, you must register with the insurance agencies and, in some cases, explain to patients that their policies may not cover all your charges and that any shortfall is their responsibility. The employment of a debt-collection agency may have to be considered.

It is important to ensure that payment is received, because the taxman taxes what is billed out as opposed to what is actually received.

Taxation

This is probably the most important area for discussion with your accountant.

The taxation of the self-employed will be unfamiliar territory and it has many pitfalls for the unsuspecting.

Most consultants are keen to know whether they should work as a sole practitioner or as a limited company and what, if any, expenses can be claimed.

The answer to the first question is relatively simple, in my view. For the majority of consultants it is more beneficial to work as a sole practitioner as opposed to a limited company.

The answer to the second is that, provided it can be shown that an expense has been incurred in respect of generating income for the private practice, then it can be claimed either in its entirety or at least a proportion of it. What you can claim includes items in the box above.

Talk with your accountant to decide on an appropriate year-end for the financial accounts. The year-end need not be 5 April. It could be, say, 30 April or some other month-end. The choice of what is the most appropriate year-

end can have certain tax advantages. These should be identified and discussed with your accountant.

The next big question is how much tax to pay and when. This is where a new consultant can be lulled into a false sense of security. Depending on when the private practice started, it may be that tax is not required to be paid until 22 months after commencement. And, due to the mechanism of collecting tax, you may get the impression that 60% of your profit has gone to pay HM Revenue and Customs.

Tax is normally payable through three instalments. The first two are known as interims and these must be paid at the end on January and July. The last payment is a balancing payment which falls on the following January. So a January tax payment can have two elements – a balancing payment and an interim payment. It is this that can give the impression of a 60% as opposed to a 40% tax rate.

To ensure you put enough aside for tax it is generally advisable to save one third of gross fee income up to £40,000 and thereafter at 40% until the accountant has prepared the accounts and calculated the tax due.

This saving plan ensures more than enough is set aside for tax payments and avoids any pitfalls in the first couple of years as your private practice income rises rapidly.

As your income increases and excess funds are available you can explore certain tax-friendly investment schemes. Financial advisers who are authorised by the Financial Services Authority normally provide these.

Getting the administration, accounting and taxation issues of the new private practice properly in place will ensure the new consultant hits the ground running. ■

Next month: Building up your private practice

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