## HPSS Superannuation Scheme

Supplementary Explanatory Notes for the completion of the General Medical Practitioner Providers Annual Certificate of Pensionable Profits.

1. Please note that the changes explained below do NOT apply to General Dental Practitioners or Salaried GPs directly employed by a Practice, HSS Board, Trust or out of hours provider (OOHP).

### Introduction

2. From 1 April 2004, under the new GMS Contract, General Medical Practitioner pension contributions will be assessed on actual HPSS Superannuable earnings as declared to the Inland Revenue, net of expenses for the year 2004/2005 onwards. The former classification of medical GP earnings into three groups ceases.

3. Each GP Partner, non GP Partner and Single-Handed GP should submit this Certificate to the Central Services Agency (CSA) as soon as the taxable profits to be reported to the Inland Revenue are known and, in any event, no later than 1 month after the current Inland Revenue Tax 'deadline' of 31 January. This timescale will allow CSA the necessary time to complete their work, and to update individual GP HPSS Superannuation Scheme records, by the end of May.

### Assessment of pensionable profits

4. The following notes explain how to calculate pensionable (ie superannuable) profits, and exactly which profits will be assessed for 2004/2005 onwards.

5. Where a practitioner has both HPSS and non-HPSS earnings, only the HPSS earnings will be counted towards HPSS Superannuation Scheme pensionable profits. As income earned from non-HPSS sources will vary considerably between GPs, there are two main methods for calculating the allocation of expenses, the 'standard method' and the 'alternative method', which are explained in Certificate Completion Note 10, towards the end of the Certificate. In most cases, expenses will be calculated pro rata to HPSS and non-HPSS work, and only the HPSS element should be deducted from the HPSS profits. Where neither of the main methods of calculating the allocation of expenses appears to produce fair results, there is also provision for an individual method to be set out and used.

6. Under the new GMS 'Statement of Financial Entitlements', Employers are already required to deduct from their monthly payments to Practices for any year, an amount that represents a reasonable approximation of a monthly proportion of the Employers liability, in respect of employer superannuation contribution costs, for any of a Contractors partner or single-handed GPs who are members of the HPSS Superannuation Scheme. Employers and Practices should make end-of-year reconciliation payments so that the total payments made in the year reflect the total liability under the HPSS Superannuation Scheme. In making the reasonable approximation above, HSS Boards/GP Employers/Partners etc should exclude any earnings they expect to record on form SOLO, for payments that will NOT be paid into the Practice accounts. This is because employer and employee contributions will be forwarded to CSA each month, throughout the year, and no additional deduction should be required.

**Profits to be taken into account**

7. The profits to be used for the first new contract year are those assessed in the tax year 2004/2005. This will mean that the calculation will be based on all Practice accounts with year-ends between 6 April 2004 and 5 April 2005. For GPs with a year ending 31 March 2005 (tax return to 5 April 2005), the profits for this and subsequent years can be used on the Certificate without any amendment or further calculation.

8. Where GPs have an earlier year-end, eg 30 June 2004, these profits will be used to assess and calculate pensionable profit for 2004/2005.

**Pension Overlap Profits**

9. A new task for GPs/Accountants with non-March year-ends, will be to calculate the 'Pension Overlap Profits' based on the assessable profits as declared in Box 21 of this Certificate for the year 2004/2005, and this will need to be entered on the Certificate at Box 21(b). This is to ensure profits are counted for superannuation contributions and HPSS Scheme benefits only once. In the case of 30 June 2004 year-ends, the first 9 months of this year will have already been subject to superannuation contributions etc.

10. To calculate Pension Overlap Profits, GPs will need to pro rata the pensionable profit in Certificate Box 21 for the proportion of profits that arise between the day *following* their year-end, and 5 April 2005. This *Pension* Overlap relief works in the same way as Tax Overlap relief, in that it needs to be deducted from your final years profits if you leave HPSS employment/the Scheme or change your year-end. So you must record/bring forward to Certificate Box 21(b), the HPSS Scheme Pension Overlap Profits from your first new GMS contract year (or the first year you joined the HPSS Scheme) every time you complete an Annual Certificate.

**A. Example for a GP whose Practice accounts year ends 30 June and who was already in Practice and the HPSS Scheme at 1 April 2004.**

**Assessable profits**

11. In this example the GP is already in Practice and the HPSS Scheme and pensionable pay for the 2003/2004 year has already been calculated and recorded on form 55B according to the regulations in force for 'old' GMS. The GPs next period of tax liability and of remuneration for HPSS Scheme purposes is the 2004/2005-year and the relevant tax deadline 31 January 2006.

12. For HPSS Scheme purposes, pensionable remuneration for the 2004/2005 year in new GMS is based on the GPs Practice accounts year-end and, in this example, is assumed to be £120,000, running from 1 July 2003 to 30 June 2004. This makes the pensionable profits to be recorded in HPSS Scheme records for the 2004/2005 year £120,000 and the Pension Overlap Profit amount to be entered and carried forward on the Certificate at Box 21(b) (£120,000 x 9/12 = £90,000); 9/12 (9 months) being the number of months between 1 July 2004 and 31 March 2005.

13. The GPs tax return should be completed as soon as possible after accounts to 30 June 2004 are closed. The Certificate of Pensionable Profits should be completed within 1 month of submission of the tax return and, in any event, no later than 28 February 2006. The CSA should check the Certificate, adjust payment of HPSS Scheme contributions and complete pension record action by 31 May 2006.

**B. Example for a GP whose accounts year ends 30 June and who begins Practice and HPSS Scheme membership for the first time at 1 July 2004.**

**Assessable Profits**

14. In this example the GP has begun in Practice and the HPSS Scheme before April 2005 and so their first period of tax liability is again in the 2004/2005 year and their tax deadline is again 31 January 2006.

15. The GPs tax return should be completed as soon as possible after accounts to 30 June 2005 are closed. The Certificate of Pensionable Profits should be completed within 1 month of submission of the tax return and, in any event, no later than 28 February 2006. The CSA should check the Certificate, adjust payment of HPSS Scheme contributions and complete pension record action by 31 May 2006.

16. Assuming the GP joining on 1 July 2004 has first-year account profits to 30 June 2005 of £96,000, 9/12 of those profits will be £72,000. This will be the amount of the HPSS Scheme remuneration for 2004/2005 and also the Pension Overlap amount to be entered and carried forward at Certificate Box 21 (b).

17. In year 2005/2006, assuming for example purposes steady prices etc, the HPSS Scheme remuneration will = £96,000 and the carry forward Pension Overlap Profits for Certificate Box 21(b) will remain at £72,000.

**C. Example for a GP who again begins in Practice and HPSS Scheme membership for the first time, but much later in the tax year, eg 1 January 2005 and has an accounts year-end of December.**

18. This GP has begun in Practice and the HPSS Scheme before April 2005 and so their first period of tax liability is again in the 2004/2005 tax year, running from 1 January 2005 to 31 March 2005 and the tax deadline, 31 January 2006. However correct figures for the 2004/2005 year will not be known until accounts are prepared up to 31 December 2005, which is likely to be *after* the January 2006 tax deadline. The same position could apply for a Practice year-end of November.

19. Under Inland Revenue rules, a GP in these circumstances is required to submit an *estimated or provisional* 2004/2005 tax return by 31 January 2006, and to correct the figures for the year once final accounts-close amounts are known. In order that appropriate HPSS Pension Scheme records can be prepared, an *estimated or provisional* Certificate of pensionable profits for the year to 31 December 2005, must also be completed, (tick the 'figures drawn from my provisional tax return' box, near the top of page 1 of the Certificate) and returned to the CSA no later than 28 February 2006.

20. Assuming that HPSS Scheme profits to 31 December 2005 are estimated to be £120,000, the pensionable profits to 31 March 2005 and the Pension Overlap Profits amount for Certificate Box 21(b) will be 3/12 of £120,000 = £30,000. The CSA must check and use this *estimated or provisional* income for the period
1 January 2005 to 31 March 2005 for all HPSS Scheme contribution purposes and prepare a provisional pension record. When accounts-closure figures are prepared up to 31 December 2005, a final tax return will be submitted to the Inland Revenue, in replacement of the *estimated or provisional* return. A final Certificate of pensionable profits for the year 2004/2005 must then also be prepared, (tick the 'figures drawn from my final tax return' box, near the top of page 1 of the Certificate) and submitted to the CSA within 1 month of submission of the final corrected tax return for the year. The CSA must then check and adjust HPSS Scheme contribution deductions and payments appropriately and update the pension record held by HPSS Superannuation Branch.

**Pension Overlap Action in Final Year/Change of Accounting Year End**

21. As explained above, the Pension Overlap Profit amount that was taxed twice in the first new contract year (or first year as a GP/non GP provider) must be entered on every GP annual Certificate, in Box 21(b), so that it is not forgotten. When the GP reaches their final year (or elects to change their Practice year-end) the Overlap amount from Certificate Box 21(b), must be used to offset (reduce) the final years profits shown on the relevant Certificate of pensionable profits at Box 1. This will ensure that the final year's pensionable profits are not overstated in HPSS Scheme pensions records.