Superannuation payments on retirement

There is a clear consensus among LMCs nationwide that on 24 hour retirement the GP should be entitled to keep the money previously applied to his superannuation payments as income. I reproduce the clearest below, should you still need any arguments to call on.

The monies paid in from the Treasury (i.e. the 14% and the notional 6%) feed into the practice bank account as part of gross turnover. The nGMS pension is calculated on WHAT you MAKE IN PROFITS attributable to NHS work and NOT on what you claim. Poor profits will yield a poor pension just like in the rest of society.

A GP can only be in one of 3 pension scenarios:

a) Contributing a share (22.5%) of attributable profits into the NHSPS.

b) Contributing a similar amount to an approved private pension provider (unlikely as the NHS scheme cannot be bettered).

c) Having reached National Retirement Age, or 40 years reckonable service under the old scheme, is now drawing an NHS pension and is therefore exempt from making further NHS pension contributions.

Superannuation contributions FROM WHATEVER SOURCE are pay and deferred pay at that. They are paid from each partner's capital account (irrespective of which cheque book is used to make the payment). Each partner's capital account is fed from their profit share of the gross profits and payments made by the practice for them are deducted from that capital account.

GPs now pay 22.5% (14+8.5% since 01/04/2008) into their 'pension pots' upon their superannuable profits. A GP's superannuable earnings are that GP's superannuable proportion of the gross NHS attributable profits. Superannuation contributions are deducted from each doctor's capital accounts in proportion to their share of profits

Take, for example, a 4-doctor practice making gross profits, clear of expenses, of £500,000 in four 25% shares with NHS superannuable profits of £440,000. Thus if each partner is on a 25% share then the gross profit for each is £125K each before tax. Each partner has to pay 22.5% of £110,000 = £24,750 in superannuation contributions which is deducted from the £125,000 leaving each partner a taxable profit before allowances of £100,250

However a partner who has taken his pension doesn't have to pay any superannuation from his share of the profits and if his share is an equal share for equal work then his take-home pay cheque will indeed be 22.5% (minus the tax relief on it) bigger than his partners, but his profit share will still only be 125K gross.

If you require further guidance please contact the LMC.

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