

Tax May 13, 2019

Doctors flock to advice to solve pension tax woes



St. James's Place has seen a jump in enquiries from doctors and consultants, as these professionals turn to advisers to sort out unexpected tax bills.



Claire Trott (pictured), chartered financial planner and head of pensions strategy at SJP, told *FTAdviser* that she works with many advisers across the industry, and has seen a large increase in the number of enquiries the firm's advisers are getting from NHS pension scheme members.

She said: "Now not a week goes by without a new case coming across my desk."

Ms Trott explained that the introduction of the tapered annual allowance in 2016, which resulted in making the member personally responsible for checking if they are impacted and owe any tax charges, had taken many by surprise and led to a build-up in unpaid charges.

She said: "Many are only now just seeking the advice they really need. As the tapered annual allowance is calculated in relation to an individual's full income tax situation, an employer or pension scheme is unable to help."

The fact that doctors can have several employers makes this situation even more complicated, as they – or their advisers – need establish what is pensionable, what isn't and what other earnings they have, Ms Trott noted.

She stressed there was an added level of complexity if the member is a dentist or general practitioner, given that their practices may cross into both public and private work.

That's not all, however. The fact that many doctors have multiple sources of income adds to the complexity.

The tapered annual allowance gradually reduces the pension tax relief for those on high incomes, meaning they are more likely to suffer an annual tax charge on contributions and a lifetime allowance tax charge on their benefits.

The tapered annual allowance means that for every £2 of income above £150,000 a year, £1 of annual allowance will be lost.

It emerged in December that the number of members leaving the NHS Pension Scheme was five times higher than that seen by other public pension funds.

The British Medical Association recently warned that doctors will reduce their NHS working hours "unless there is tangible reform to the NHS pension scheme".

The BMA - which represents 125,000 hospital consultants and family doctors – has called the government to introduce "immediate mitigations" to solve this issue, such as the introduction of a policy to allow doctors to recycle their employer's pension contributions and a UK-wide scheme for NHS staff to retain or purchase death-in-service benefits.

The Chancellor of the Exchequer Philip Hammond has said he is looking to bring more flexibility into the NHS Pension Scheme to solve this issue, while former pensions minister Baroness Ros Altmann said the government should direct NHS scheme members to independent financial advisers for help.

Another issue that doctors face is whether they should use scheme pays to pay their tax bills, with more than 30 per cent of NHS scheme members who breached their annual allowance in 2017-18 using this facility.