

## LIMITED COMPANY ANNUAL CERTIFICATE OF PENSIONABLE PAY FOR 2009/10:

### GUIDANCE & COMPLETION NOTES

#### **INTRODUCTION**

From 1 April 2006 dividends received from a company (limited by shares) that is qualified to hold a GMS, PMS, SPMS or APMS contract and satisfies the NHS Pension Scheme Employing Authority criteria may be pensioned subject to the dividends being wholly in respect of NHS work.

Where a GMS, PMS, sPMS, or APMS Practice/Centre operates as a limited company the Ltd Co version of the Certificate must be completed. A shareholder will also have to complete the main 2009/10 GP Provider (and non-GP Provider) Certificate of Pensionable Profits if they are a Partner or Single-Hander elsewhere.

A GP Provider who is/was a Salaried GP (or long term fee based GP) in 2009/10 will also have to complete the Type 2 Practitioner self-assessment form; this is to ensure they have paid tiered contributions in 209/10 at the correct rate.

**Where a contract is held by a limited company and the Provider receives a salary from the company, that salary must NOT be entered in box 3 or box 22 of the main 2009/10 Certificate as such a salary will be included in this Certificate instead.**

If a Provider holds two or more different types of the above contracts, a separate Certificate is required for each.

Where a limited company is providing GMS, PMS, sPMS, or APMS services the NHS Pension Scheme employer contributions must be treated as an expense of the company; see FAQs for further details.

#### **NOTES**

##### Box A

Enter the shareholder's (i.e. Provider's) full name; do not use initials. If your surname has changed in 2009/10 please also provide your previous surname.

##### Box B

Enter the shareholder's national insurance number or individual NHS Pension Scheme reference number; this is often known as your 'SD' number and begins with SD followed by two digits representing your year of birth (i.e. 1957 is 57) then six further digits.

##### Box C

Specify the name of the company as it is registered with Companies House.

##### Box D

The NHS Pension Scheme Employing Authority code is a letter followed by three digits; i.e. A123. Your Practice/Payroll Manager should know this code, however if it is difficult to obtain enter the name of the Practice.

##### Box E

Specify the company's number as it is registered with Companies House.

## Box F

Specify the type of contract that this certificate relates to.

## Box G

In respect of a GP Provider the host PCT/LHB is the PCT/LHB on whose Performers List the GP Provider is (or has been during the year) registered or the PCT/LHB with whom the GP Provider has a contract with. In respect of a non-GP Provider the host PCT/LHB is the PCT/LHB that the non-GP Provider is (or has been) contracted with.

Where changes of Practice and/or PCT/LHB occur, there will be implications for your Certificate and you may need to complete more than one Certificate as described below.

Follow these instructions to determine how many Certificates you are required to complete:

- a) Change of Practice, but remain within the same PCT/LHB.

In this situation, two Certificates will be required and the references in Boxes D, E, & F may be different on each.

- b) Change of Practice, also with a change of PCT/LHB.

In this situation, two Certificates will be required and the references in Boxes D, E, F, & G may be different on each

The host PCTs/LHBs in this instance are the PCTs/LHBs on whose 'Performers List' you are registered (or contracted with) either before the change in Practice or at the 'year end', dependent upon which Certificate is being completed.

- c) Change of PCT/LHB (i.e. due to a merger), but remain with the same Practice.

In this situation, one Certificate only should be completed, with the entry at Box G relating to the host PCT/LHB upon whose 'Performers List' you appear at the end of the relevant year (i.e. 31 March 2010).

## Box H

The appropriate 'year end' will be that which falls into the tax year 2009/10 (the year ended 5 April 2010), for instance 30 June 2009, 31 October 2009, 28 February 2010, 31 March 2010 etc.

If the company has more than one accounting period ending in tax year 2009/10 the aggregate of both or all of those accounting periods must be used for the figures in this Certificate, even where that period may total more than 12 months.

## Box I

This box is already pre-filled.

## Box J

Prior to 1 April 2008, members who first joined the Scheme on or after the 1 June 1989 were subject to the pensionable earnings cap; i.e. the member could only pension in the NHS Pension Scheme income, from whatever NHS source, up to the prescribed limit. If a member joined before 1 June 1989 but had a break in pensionable employment of more than a year after 1 June 1989 they were also subject to the cap.

Following changes to the Scheme rules effective from 1 April 2008, however, the earnings cap has been removed and mainline employer and tiered employee contributions are to be based upon full pensionable pay.

**EXCEPTION – if a Scheme member, who was previously subject to the cap, has already bought added years, or is still buying them under an agreement that started before 1 April 2008, those added years remain subject to the cap. Contributions in respect of the added years will still be limited to the capped pensionable pay.**

**Any added years agreements starting on or after 1 April 2008, however, will NOT be subject to the earnings cap and will be payable on the full actual pensionable pay, as will be the employer and tiered employee contributions.**

See NHS Pensions Technical Newsletter (TN) 17/2008 on its website (<http://www.nhsbsa.nhs.uk/Pensions/2499.aspx>) for further information.

If you are unsure as to whether the cap applies to you, please contact NHS Pensions ([practitioners@nhspa.gov.uk](mailto:practitioners@nhspa.gov.uk)). Please refer to the completion notes for box 14 when considering the application on the cap.

#### Box K

**NOTE YOUR 2009/10 PERSONAL TAX RETURN WILL NEED TO HAVE BEEN COMPLETED TO ENABLE YOU TO MAKE THE ENTRIES ON YOUR 2009/10 CERTIFICATE OF PENSIONABLE PAY.**

OCCASIONALLY, PARTICULARLY IN THE FIRST YEAR OF PRACTICE, PROVISIONAL FIGURES MAY BE USED IN YOUR TAX RETURN WHERE THE CORRECT DETAILS ARE NOT YET KNOWN. THE ENTRIES ON THE CERTIFICATE SHOULD STILL FOLLOW THOSE PROVISIONAL FIGURES.

IN THE SAME MANNER AS THE TAX RETURN, AN AMENDMENT WILL NEED TO BE MADE TO THE CERTIFICATE WHEN THE ACTUAL DATA IS AVAILABLE, EVEN THOUGH THIS IS AFTER THE SUBMISSION DEADLINE.

#### Box 1

The figure in box 1 should be the company's total medical related (NHS and non-NHS) income for tax purposes as stated in the final statutory accounts as described in Note H above.

The figure in Box 1 must exclude NHS SOLO and NHS GP Locum income (recorded on locum forms A, B, C, or D). Such income is deemed as private income and should not, in fact, be paid into the company having had superannuation deducted from it. Should such income be paid to the company and pooled with other income, it should be paid gross and counted as non-NHS income.

Similarly, employment income is also private income and should be retained privately. However, in practice, it is recognised that pooled salaried appointments will probably continue to be paid to the practice having had superannuation deducted at source or on SOLO forms. Such income should not be included in Box 1, and should be removed from your total pensionable income figure at Box 12.

#### Box 2

Box 2 must state the amount in box 1 that was in respect of non-NHS (i.e. private) medical related work. This includes private income and reimbursements, private fee income and non-NHS locum income.

#### Box 3

Box 3 will state the company's total NHS income and must not include SOLO, GP locum, or employed NHS income. Box 3 must not include any company private income.

#### Box 4

The figure in box 4 is the NHS income/non-NHS income ratio for the purposes of calculating the element of company salary and dividends that are 'NHS pensionable'. It is recognised that this may seem an arbitrary calculation as it may not relate to the period to which the dividends paid in the tax year relate. This is unavoidable. A method to maintain the integrity of the pooling system (see notes for Boxes 37 et seq) was required to be devised which involves assumptions in certain circumstances. The percentage calculation here is one of them.

### Box 5

You must enter your gross company salary in this box; i.e. before tax and NIC. Such a company salary should not have had superannuation deducted at source as it is the purpose of this certificate to do so. Where, however, such a salary has incorrectly been pensioned through the payroll, the salary gross of tax, NIC and superannuation should be entered in Box 5 and the contributions deducted entered in Boxes 28 to 31.

The figure stated in box 5 must be net of any employment expenses claimed on your tax return.

### Box 6

The purpose of box 6 is to calculate what element of your company salary is pensionable under the NHS Pension Scheme.

### Box 7

You must enter your net company dividends in this box not including any tax credits.

### Box 8

The purpose of box 8 is to calculate what element of your company net dividends is in respect of NHS income.

### Box 9

The purpose of box 9 is to restrict your NHS pensionable dividends earned in the tax year to those arising wholly from NHS sources. See notes for box 42.

### Box 10

This is the amount of pensionable dividends

### Box 11

This calculates your total NHS pensionable earnings from the company, i.e. salary plus dividends

### Box 12

Although not strictly correct, it is possible that some salaried appointment income may be paid directly to the company rather than to the relevant individual. This box takes account of any such appointments pensioned separately to enable the total in box 11 to be adjusted to ensure such income is not pensioned twice.

### Box 13

The adjusted total after deducting salaried appointments pensioned elsewhere is your pensionable income as a shareholder of a qualifying limited company and which will be included in your practitioner pay record.

### Box 14

Also see notes to Box J. Only enter a figure in this box if you are capped JUST for added years purposes. From 1 April 2008 a cap does not apply to mainstream pensionable pay.

The figure in this box would normally be the earnings cap relevant to added years contracts for 2009/10 (£123,600).

Care should be taken, however, when entering a figure here and you also have income pensioned separately (for instance salaried appointments or GP locum income) or pensionable income derived from a limited company, as the correct amount may not be the full value of the cap as an amount of the cap may be allocated against these other sources.

Where the cap applies to your added years contract, your **total** NHS pensionable income from **all** NHS sources in the year ending 31 March 2010 cannot exceed £123,600.

**NHS Pensions cannot advise on the application of the cap to any particular source of NHS income. Professional assistance should be sought where is required bearing in mind other possible NHS pensionable income.**

#### Box 15

Seniority payments (if applicable) have to be separately identifiable in the Certificate in accordance with the Statement of Financial Entitlements mainly for the purposes of the calculation of Average Adjusted Superannuable Income.

The figure in this box should be the amount of seniority received by the company for you in the company accounts for the year end falling within the tax year 2009/10. No adjustment should be made for employer superannuation contributions.

Where the accounting period(s) falling into the tax year, when aggregated, total more or less than 12 months, the aggregated seniority must be apportioned down or up to produce a figure for 12 months. The 12 month apportioned figure should be entered at box 15.

#### Boxes 16-19

These boxes state the percentages at which the varying classes of contribution are paid.

#### **Tiered employee contributions:**

Please see the notes for Boxes 43 to 50 regarding the calculation of the appropriate tier.

#### **Added Years, Money Purchase AVCs and Additional Pension arrangements:**

The percentages or amounts payable for each of these arrangements will be dependent upon your own circumstances.

##### **Added Years**

No new added years contracts should have been commenced after 31 March 2009.

##### **Money Purchase AVCs**

The figure in box 18 is your provisional NHSPS Money Purchase AVCs if you have a NHS Money Purchase AVC contract with the Prudential, Standard Life, or Equitable Life. This is generally based on a percentage of your pensionable pay however can be a fixed amount. Where it is a fixed amount, the annual amount should be entered in box 18a rather than box 19. The amount in box 18a should then be copied into box 22.

**Do not** enter details in respect of any Free Standing AVC's.

##### **Additional Pension purchase**

From 1 April 2008 a new Additional Pension purchase was introduced whereby members can buy blocks of additional pension in multiples of £250 up to a maximum of, currently, £5,000. Where an Additional Pension contract started in 2009/10, it will be necessary to enter the contributions due in box 18b for the period from commencement to 31 March 2010. Contributions for Additional Pension are payable either by a single lump sum or regular monthly payments. Where the chosen method is a single lump sum, the amount due should be entered in box 18b. Where the chosen method is by regular monthly contributions, the amount to be entered in box 18b is the monthly contribution quoted multiplied by the number of whole months the contract has run from inception to 31 March 2010. As monthly payments are fixed (subject to future review and adjustment), no apportionment should occur as happens with added years.

#### **Employer contributions**

Employer contributions are 14% for 2009/10.

### Boxes 20-23

Are the contributions due for the year, arrived at by multiplying the pensionable pay figure from box 13 (or 14 if the cap applies for your added years purchase) to the relevant percentage figure from boxes 16 to 19.

Where you have a NHS Money Purchase AVC paid as a fixed amount, the figure in box 22 will match that in box 18a.

Where you have an Additional Pension contract, the figure in box 22 will match that in box 18b.

Where you have a combination of arrangements under Money Purchase percentages/fixed amounts and Additional Pension purchase, the amount at box 22 will reflect the total amount due for all such arrangements.

### Boxes 24-27

These boxes must state the company based contributions already paid that relate to 2009/10 (i.e. not including payments made in respect of a previous year).

These figures should include payments already made to your host PCT/LHB or deducted from your global sum or contract payment 'on account' throughout the year to 31 March 2010 by the PCT/LHB.

There is no link of these boxes to any payments relevant for tax relief purposes. The entries in these boxes will relate to those contributions made in respect of 2009/10 that were paid or deducted by the PCT/LHB before this Certificate is submitted.

### Boxes 28-31

See also the notes to Box 5.

It is recognised that salaries paid to shareholder GP Providers (or non-GP Providers) may have had superannuation deducted at source through the payroll. This is not correct, but where this has occurred, credit for any such contributions should be given. These should be included at Boxes 28 to 31. When processing payrolls for GP shareholders, NIC letter D should be used to ensure the contracted out rate is paid on employee and employer National Insurance. No employee or employer superannuation should be paid in respect of these salaries. It is the purpose of the monthly deductions and this certificate to ensure the correct superannuation is paid on GP shareholder pensionable pay. Superannuation contributions will not affect the amount of National Insurance paid as NIC is always based upon gross salary before any deduction for pensions.

In addition, it is known that certain PCTs/LHBs still incorrectly deduct superannuation at source from additional payments made in respect of, for example, training grants. Credit for such contributions should also be included at Boxes 28 to 31.

DO NOT include any SOLO (other than PEC positions) or Locum contributions in these boxes. Such income is deemed as personal income and is not pensioned through this form.

### Boxes 32-36

Are the final payable (or refundable) contributions for 2009/10 after taking account of contributions that have already been paid.

### Boxes 37-42

The purpose of these boxes is to ensure that the calculation of NHS pensionable dividends pertains solely to distributions out of available NHS profits.

### Box 37

If the figure in box 42 of the 2008/09 Limited Company Certificate of Pensionable Pay was positive, enter that figure in this box.

### Box 38

Take the total company after tax profits from the statutory accounts with a year end falling in the tax year 2009/10 and calculate the theoretical dividend that you are entitled to of those profits. This is achieved as follows:

Take the post tax, but pre-dividend, profits for that accounting year end (i.e. not including any brought forward undistributed profits) and multiply the figure by the ratio of A/B, where;

A = The number of your shares which are eligible to receive dividends, regardless of their type or class, and

B = The total number of shares issued (and not necessarily paid for) that are eligible to receive dividends, regardless of type or class.

Enter the resulting figure in Box 38.

It is understood that this is an arbitrary and notional allocation of undistributed profits, but a method must be applied to determine the overall running total of pensionable dividends. This is to ensure that dividends paid in one year which relate to undistributed reserves from earlier years in respect of non-NHS income are not pensioned.

The above calculation still applies regardless of varying classes of share, waiver of dividends and not declaring or paying dividends. This is to maintain the consistency of the pool.

#### Box 39

Take the relevant NHS income percentage per box 4 and apply it to the figure in box 38 to determine the theoretical NHS profits available for distribution.

#### Box 40

Figure per box 8, i.e. your net NHS dividend paid based on the ratio of NHS income to total income in the company year to which this certificate relates.

#### Box 41

If the figure in box 40 exceeds the figure in box 39 the excess is entered here. This represents an NHS dividend paid out in this tax year arising from profits earned in a previous year. Such dividends would only be pensionable if they are matched by the figure brought forward in box 37; i.e. they would then have arisen from NHS profits.

#### Box 42

This is the result of box 37 minus box 41. If the figure in box 41 is less than the figure in box 37 the positive excess in box 42 is carried forward to box 37 of next year's certificate and no adjustment is required to box 9.

If however there is a negative figure in box 42 then this means that some of the dividend paid in this tax year must relate to non-NHS dividends arising from profits generated in a previous period.

Where Box 42 is a negative figure, post it to box 9 to reduce the amount of pensionable dividend previously calculated at box 8.

#### Boxes 43 – 50

Employee contributions in 2009/10 may be 5%, 6.5%, 7.5% or 8.5%.

The rate payable in 2009/10 will be determined by the Provider's aggregated pensionable income for year 2009/10. The aggregate of pensionable income includes:

- Type 1 (Principal) Practitioner certified profits
- Type 2 (Assistant) Practitioner income
- Pensionable GP Locum (Practitioner) income (i.e. 90% of the gross)
- OOHs posts
- PEC posts
- Salaried Bed Fund posts, which are treated as practitioner positions
- Pensionable pay from Limited Company Certificate of Pensionable Profits

Income from PAYE salaried Officer (i.e. clinical assistant/hospital) posts should be excluded from the aggregation above and should be allocated a contribution tier separately according to the rules governing Officers in 2009/10 within the scheme. Salaried Bed Fund posts are, however, considered to be practitioner positions and should be included.

**IMPORTANT NOTE REGARDING GP LOCUM WORK AND EMPLOYED PRACTITIONER POSTS:**

Where, as a result of the above, it transpires that, following aggregation and allocation to a tier, the incorrect percentage of employee contribution has been paid on 2009/10 GP Locum income through forms A & B, Out of Hours, salaried practitioner or Bed Fund posts, the GP must contact the PCT/LHB to make good locally any arrears/apply for a refund. Any arrears/refund in respect of such contributions are ring-fenced and outside the scope of this Certificate. Please refer to the notes on GP Locum form B for further information.

**See Technical Note TN4 / 2009 (Factsheet 2) for further information and the notes to the Type 2 Practitioner Certificate.**

Box 51

White space to add any additional information deemed helpful to understanding the figures in the certificate and in particular re box 14.