

Pension tax windfall for top earners

NHS crisis plan will benefit tens of thousands

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Tens of thousands of high earners will receive a pension tax windfall under plans to solve a staffing crisis among NHS doctors, *The Times* has learnt.

The Treasury is preparing to give tax relief worth hundreds of millions of pounds to those earning more than £110,000. The measure will stop [doctors being hit](#) with huge bills, which are causing them to turn down extra work and harming patient care.

Health service leaders are pushing for further concessions, a move that could scupper the plans because ministers are unlikely to go ahead with them if they are not welcomed by the NHS as a solution.

Some in government are trying to encourage moderate doctors to put pressure on unions to compromise. One source close to the discussions said: "It is not a great look for highly paid clinicians to be sniping about the size of their tax break."

[Changes to pension rules](#) mean that once workers earn more than £110,000, they face more stringent taxes on their contributions. Under the NHS scheme, in which contributions are calculated automatically and are outside the control of beneficiaries, senior consultants have been landed with unexpected tax bills of tens of thousands of pounds.

As doctors turned down extra shifts to avoid breaching the limit, the problem was said to have led to cancelled operations and lengthening NHS waits. A&E performance hit a record low last month, with one in five patients waiting more than four hours.

Boris Johnson promised yesterday to "get those waiting lists" down as his government hinted at scrapping the target.

Before Christmas ministers approved an emergency measure under which the NHS promised that any doctors hit by tax bills this winter would have their incomes topped up in retirement to what they would have been without the charge.

However, few doctors had taken up the offer in recent weeks, sources said. "Trust is the number one problem. People just don't buy that they're going to see this money," one added.

The Conservative manifesto promised to address a problem "which causes many [doctors] to turn down extra shifts for fear of high tax bills" and ministers and officials have been floating solutions with medical leaders.

The Times understands that in discussions this week the Treasury proposed raising the “cliff edge” threshold from £110,000 to £150,000 at which pension contributions are counted as earnings and lower tax-free allowances start to kick in.

It was argued that this would solve the problem for the majority of doctors. Consultants’ median earnings are £112,000 and it is estimated that 90 per cent would fall below the new limit.

The change would apply to all workers, whether in the public or private sector, and could cost the Treasury significant sums, given that the present policy is due to raise £1.3 billion this year.

There is concern in government about unintended consequences of reducing pension tax, which is being eyed as a potential source of revenue for a government that is promising higher public spending without raising income tax, national insurance or VAT.

Paul Johnson, director of the Institute for Fiscal Studies, said it was hard to estimate exactly how much the change would cost, saying that the present rules were overly complex. “Combine that with very generous and inflexible pension schemes like those in the public sector and you create the sorts of problems doctors have experienced,” he said.

“Moving the threshold will mitigate but not remove the problem. A more fundamental review both of the tax system and public sector pensions would be welcome.”

Vishal Sharma, chairman of the British Medical Association’s consultants committee, insisted that the plan “does not fix the fundamental problem of doctors being forced to limit the work they do to prevent being hit with significant charges on their pensions and many will still in effect be paying to go to work”.

At present pensions can grow by £40,000 a year tax-free for workers on salaries up to £110,000, at which point they can start tapering to £10,000.

Dr Sharma argued that the change would “punish the brightest and best doctors”, who earn more than £150,000.

Senior managers are pressing for the government to go further, by raising the £40,000 tax-free limit to more than £100,000. There are also concerns about taxes when pension pots top £1 million, which are blamed for encouraging GPs to retire early.

The Treasury declined to comment.