

Starting a veterinary practice?

A GUIDE TO YOUR FUTURE AS A PRACTICE OWNER



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HAZLEWOODS

DRIVING LIFELONG PROSPERITY



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STARTING A VETERINARY PRACTICE

Setting up a veterinary practice is an exciting time. With a structured approach, a new practice can be flying within 12 to 18 months of opening. Our step by step guide will take you through each of the key stages of the start up process from researching your idea through to launching your practice.

START-UP CHECKLIST

1. Practice name and location
2. Evaluate opportunity with a business plan and financial projections
3. Formulate a marketing strategy
4. Choose an accountant
5. Determine your business structure; sole trader, partnership, LLP or limited company
6. Obtain funding
7. Register your business (VAT, PAYE, income tax/corporation tax, Companies House)
8. Set up your bank account
9. Choose software for record keeping
10. Purchase equipment
11. Recruit staff
12. Open your practice!

HOW CAN WE SUPPORT YOU

1. Business plan support
2. Evaluating the merits of different business structures
3. Setting up the business/company formation
4. Registering with HMRC for tax and VAT
5. Setting up and accountancy system
6. Running your bookkeeping, VAT and management accounts
7. Running your payroll
8. Business mentoring
9. Tax planning
10. Company secretarial support

BUSINESS

THE BUSINESS PLAN

A business plan is a great place to start as it will help you achieve your objectives and can also predict potential pitfalls. This is also likely to be a fundamental requirement for your business if you are seeking external finance. You should be thinking about the following:

NAME AND LOCATION

- What are you going to call the practice? If you are going to be a limited company (see later) then you need to obtain permission from RCVS to use 'Vet' or 'Veterinary'.
- Where are you going to open your practice?
- Are you buying or renting premises? i.e. freehold or leasehold. If you are an equine ambulatory practice, you may only need office space, if at all.
- Planning permission or change of use required? Contact your local council.
- How many consult rooms/theatres do you want?
- What about opportunities for the future; is there room for expansion?

KEY MARKETS AND COMPETITION

- Are you going to be a Small Animal (SA), Equine (EQ) or Mixed practice?
- Will you be a first opinion, hospital or referral site?
- Who are your competition?
- How many vet full time equivalents (FTE) will you be?
- How many other vet FTE are in the area?
- Are there sufficient numbers of pets to support the number of vet FTE in the area, including your practice?
- Are there new housing estates being built or proposed in the area? (With around 50% of households owning a pet, this offers a great opportunity)
- Have you considered the length of consultations and opening hours?

These are just some of the questions that you should be asking yourself before you commit to premises. You may also want to consider appropriate market research of the area to confirm your thoughts.

It is important to know who your clients will be, what type of service you want to provide and how you are going to provide it.

FINANCIAL PROJECTIONS

- Do you know what your expected turnover per vet will be?
- What equipment do you need?
- How much work is required to turn the site into a practice?
- What are your fixed and variable costs, and what resources will you need?
- How much funding will you require, and from what source?

For an EQ ambulatory practice, start-up costs are likely to be circa £50,000 or above, especially if you are including a car. For SA practices, costs could be between £150,000 to £300,000 (or more) for conversion and kit out. Total costs will depend on how high end equipment is and how much work is required to any building. These estimates exclude the cost of purchasing a property.

It will be important to obtain detailed quotes for any building work and equipment to ensure that you can maximise the tax efficiency, as well as having accurate figures for the purposes of obtaining funding.

We can help you structure and prepare this business plan and supporting financial projections to get you on the right track. We use specific software in order to produce a 3 or 5 year profit and loss account, cash flow and balance sheet which will be integral to understanding viability. We can “stress test” the numbers to see what happens if, for example, interest rates increase, loans are repaid over a shorter time or turnover falls. Projections can also help to determine how best to structure the business on the basis of expected profits, and what income you need personally, as well as being a crucial element of obtaining funding.

Some examples of costs to consider are shown below (list is not exhaustive):

Fixed costs	Variable costs	Fixed/variable costs
Wages	Drugs	Utilities (heat, light, phone)
Rent	Consumables	Interest
Rates	Internal laboratory	Advertising
Insurance	External laboratory	
Depreciation (non-cash)	Locums	
Computer/vet system licences	Property/equipment repairs	
Hire of equipment		

In addition to the above, you will also have capital expenditure on equipment, fixtures and fittings for the practice. These items will obtain tax relief, but this is dependent on what structure your business is, whether they are new or second hand and their total value. Our team can talk you through the detail.

FUNDING

Funding can come from many different sources and we are seeing a more varied approach. You could consider:

- Personal cash
- Bank overdraft
- Bank loan
- Private investors
- Family and friends

For equipment, in addition to using cash or bank loans, you could consider financing via finance lease, hire purchase or lease.

The right option will be different for each business and depends on your circumstances. We would be happy to discuss the best option for you and your practice.

If you put personal cash into your practice, whether you are a company or sole trader/partnership/LLP, the business will owe you that cash back in the future. The amount will be held within your director's loan account (company) or capital account (sole trade/partnership/LLP) and repaid as cashflow allows.

If you are having difficulty sourcing appropriate funding we can put you in contact with people who may be able to help.



SOLE TRADER OR LIMITED COMPANY

One of the decisions you will have to make when first setting up your practice is whether you would like to operate the business as a sole trader, partnership or a limited company.

The choice you make will have an impact on almost every aspect of your practice and what might work for one may not necessarily work for another.

We have set out below some of the main advantages and disadvantages of the business types, giving you the framework needed to make an informed decision. We can of course discuss this with you, to ensure you conclude on the right option for you.

SOLE TRADER OR PARTNERSHIP

Key benefits:

- Fewer compulsory documents for filing, reducing the risk of incurring late filing penalties, and saving time and money.
- No legal obligation to disclose any financial information on public record.
- If your circumstances change, the business can easily be incorporated into a limited company.
- In first year, after taking into account tax reliefs on purchases of equipment, you may make a taxable loss which can be offset against other personal income.

Key drawbacks:

- Little distinction between yourself and the business. You (and your partners if applicable) will be personally liable for any outstanding business debts, other liabilities and claims.
- Personal credit ratings will be relied upon to secure any borrowings needed to grow your business.
- You will be taxed personally on the profits of the business at your personal income tax rates, regardless of what you actually take personally.

LIMITED COMPANY

Key benefits:

- Company has its own separate legal identity and, therefore, as a shareholder, your liability and risk is usually limited to the amount you have invested in the business.
- You will be taxed on the money you extract from the business, which allows for much more efficient tax planning and debt repayment.
- Ownership structure can be tailored to suit your individual and family circumstances, allowing you to use the maximum benefit of any tax reliefs available.

Key drawbacks:

- Accounting information will be on public record along with details of the directors and shareholders of the company. Accounting information can be limited to an extent, depending on the size of the business.
- Additional filing requirements and deadlines to meet (albeit your accountant should assist with these!).

A Limited Liability Partnership (LLP) has the drawbacks of a company but does provide the benefit of a separate legal identity. However, when it comes to tax, you are taxed in the same way as a partnership.

EXAMPLE OF THE DIFFERENCE IN TAXATION OF A SOLE TRADER AND A LIMITED COMPANY WITH PROFIT OF £50,000 (BASED ON TAX RATES 2023/24)

Sole trader or partnership

A sole trader (or partner) is liable to income tax on the profit (or their share of profit) above the personal allowance of £12,570 at 20% and also liable to Class 2 and Class 4 National Insurance. This means that the total income tax due would be £7,486 and total national insurance of £3,548 giving a total liability of £11,034.

As a sole trader or partner, you are not able to receive a salary via payroll.

Limited company

A company could pay the director a salary up to the lower limit for national insurance of £9,100 leaving taxable profits of £40,900, which would result in corporation tax at 19% of £7,771. Assuming that the director is a sole shareholder with no other income, the company could then pay dividends of £33,129 which would attract a personal tax liability of £2,508.

This would result in a total overall tax liability of £10,279, a tax saving of £755.

It is useful to note that as an individual you receive a £1,000 dividend allowance on which no tax is paid. Currently dividends are taxed at 8.75% within the basic rate band (all other income in this band is taxed at 20%).

OTHER THINGS TO CONSIDER

The rate for corporation tax changed in April 2023. The first £50,000 of profits are taxed at 19%. Profits between £50,000 and £250,000 are taxed at 26.5% and profits over £250,000 at 25%.

As of April 2023, all businesses qualify for 100% tax relief for qualifying expenditure (i.e. new digital x-ray, operating table, reception seating, kennels).

Depending on the level of profit you make and whether or not you need to take all that profit out of the business, this may affect how you structure things. What is right now may not be as tax efficient in the future (or vice versa) and therefore it is worth considering a longer term view. Converting from one structure to another will incur costs, so these need to be factored in along with any potential tax savings.

Likewise, you also need to consider the costs of setting up the structure and any ongoing costs that might affect the overall position.

In addition, as a director and shareholder (of a company), you can only be paid dividends if there are sufficient retained profits within the business.

The level of your director's loan account (again, only in a company) may also impact on how you are remunerated from the company.

As you can see, there are a number of considerations and we have not gone into all the detail here, as this is best discussed.

You should seek appropriate advice to ensure you take the right approach for you.



ANNUAL COMPLIANCE

If you choose to operate as a sole trader or partnership, or to incorporate and create a limited company or limited liability partnership (LLP), there are certain compliance obligations and deadlines you will have to meet.

FOR A SOLE TRADER OR PARTNERSHIP (OR LLP):

Tax

Profits will be reported on an individual's income tax return under self assessment, and the tax is payable in two instalments based on the previous year's liability followed by a final balancing payment or a refund if your profits have decreased.

It is important to note that because of the timing of tax and how it is calculated, after your first year of making a profit, you will effectively pay 1.5 times the tax due in one payment, being the total tax due for that year plus half as much again on account for the following year.

Please see Appendix 1 (page 17) for example.

Accounts

Accounts for a sole trade or partnership are filed with HMRC as part of the income tax return which is not on public record. Partnerships and LLPs also file a partnership tax return. For LLP accounts, see below.

FOR A LIMITED COMPANY OR LLP

Tax

Annual Corporation tax return (companies only) to be filed with HMRC (12 months after year end).

The corporation tax return is based upon the accounts and, again, is filed online with HMRC. The corporation tax due will be calculated on this return and is payable 9 months and 1 day after the year end.

Accounts and confirmation statement

Annual accounts to be filed at Companies House (9 months after year end; for 1st year accounts 21 months from incorporation).

Annual accounts need to be prepared in a certain format, usually under the FRS 102 or 105 reporting regime - this is an exercise usually completed by

your accountants. Typically a filleted set of the final accounts is filed online with Companies House, providing an abbreviated picture on public record of your company accounts, importantly for you, with the profit and loss information omitted.

Annual confirmation statement also to be filed to Companies House, which is an annual report providing the company statutory details, such as share capital information and also updates for any change in shareholders. This is something your accountant can help you with, along with any other company secretarial support you may need.

Please see below an example of filing and payment deadlines for two companies, with a December and March year end. It may be worth considering setting your company year end, so compliance and payment deadlines fall at more convenient times for you.

	<i>Year end 31 December 2023</i>	<i>Year end 31 March 2024</i>
Accounts filing deadline	30 September 2024	31 December 2024
Corporation tax payment due	1 October 2024	1 January 2025
Corporation tax return filing deadline	31 December 2024	31 March 2025
Confirmation Statement filing	<i>14 days from anniversary of the date of incorporation</i>	

The above are applicable to both companies and LLPs with the exception of the corporation tax return which is for companies only. LLP tax falls under self assessment as noted above.

DOCUMENTATION, HR AND HEALTH & SAFETY

As a partnership, LLP or company, we would always recommend that you have a partnership or shareholders agreement in place as appropriate from the start. This avoids any uncomfortable discussions and clearly sets out how you all want to work together. We have a number of solicitors that we work with regularly and who understand veterinary businesses that we can recommend.

For all businesses you will also need to consider any support you require for HR and Health & Safety. Again, we have contacts in these areas and can put you in touch.

VAT

REGISTRATION

WHO CAN REGISTER FOR VAT?

You can register for VAT if you are 'in business' and you make or intend to make 'taxable supplies', through any type of business entity.

WHO CANNOT REGISTER FOR VAT?

You cannot register for VAT if either:

- you make only 'exempt supplies'; or
- you are not 'in business' for VAT purposes

WHAT ARE THE MAIN CIRCUMSTANCES IN WHICH I MUST REGISTER FOR VAT, IF I AM DOING BUSINESS IN THE UK?

You must register for VAT if:

- your turnover from taxable supplies for the previous 12 months is more than the current registration threshold of £85,000, or if your taxable supplies in the next 30 days alone will exceed that figure; or
- you take over a VAT-registered business and the VAT taxable turnover for the previous 12 months is more than the current registration threshold of £85,000 or, if your taxable turnover in the next 30 days alone from the date of the takeover, will exceed £85,000.

WHAT ARE THE BENEFITS OF VOLUNTARY REGISTRATION?

You may think that as a start-up there is no need to register for VAT immediately. However, by registering voluntarily you could have a cash flow advantage of reclaiming VAT on all your equipment purchases, practice fit-out costs and stock. In addition, you can reclaim VAT on services provided to the business up to six months prior to registration and any stock or equipment purchases in the previous 4 years before registration.

For any practice, turnover is ultimately going to be more than £85,000 (unless it is just a locum business) and therefore, registering from the start means you can set pricing appropriately and avoid changes if VAT registration at a later date.

MAKING TAX DIGITAL (VAT)

All UK businesses that are VAT registered and above the £85,000 VAT threshold are required to keep their records digitally and submit VAT returns to HMRC using MTD compatible software like Xero or Sage.

VAT can be a complex area to understand and, to ensure you are not missing out or leaving yourself open to any potential penalties, our specialist accountants have the knowledge and experience to guide you through.

Our compliance services include:

- Helping you determine whether you need to register for VAT;
- Assisting with registration for VAT;
- Completion of VAT returns;
- Advising on particular transactions where complex tax rules apply;
- Reviews of partial exemption agreements and calculations;
- Deregistering for VAT;
- Helping you prepare for HMRC VAT assurance visits, including a pre-inspection 'health check' and attendance on the site during any visit; and
- Negotiating with HMRC on your behalf during any disputes.



RECORD KEEPING

You will need to consider:

- Veterinary Practice Management System (PMS):
 - Ease of use for recording clinical notes
 - Invoicing to clients
 - Ability to send out reminders / link to apps to provide this service
 - Ability to run financial reports:
 - Turnover reports, net, VAT and gross amounts, grouped by client, day, month, year
 - Debtors reports
 - Can you run retrospectively for a specific point in time? (your accountant would be very grateful if you could!)
 - Do they include after date information?
 - Ability to look at key performance indicators e.g
 - Turnover per vet
 - Number of new/lost clients
 - Number of consults (1st, 2nd, free, etc)
- Bookkeeping and VAT, including Making Tax Digital (see page 11)
 - Sage, Xero, Quickbooks, other accounting systems
 - Ease of use
 - Cloud based / remote access capabilities
 - Link to PMS?
 - Link to payroll software?
 - Work involved will be:
 - Processing sales invoices
 - Processing purchase invoices
 - Payment of invoices (always best done in-house)
 - Reconciliation of control accounts (ie bank, debtors, creditors, payroll)
 - Preparation of VAT returns (quarterly or monthly)
- Payroll (see page 14)

We provide a bookkeeping and management accounts to our veterinary clients, to enable owners to concentrate on their professional work and business development. Alternatively, a local, in-house bookkeeper could also be useful to provide more up to date information.

Some new owners like to undertake this work themselves so that they can really understand every aspect of the business early on, however this does take up valuable time. We can provide training on Xero (or Sage) if required and are always there to respond to queries.

Keeping on top of your bookkeeping will aid with the completion of VAT returns and year end statutory accounts and, more importantly, should give you valuable management information to help you run your business.

Accounting records should be retained for 6 years after the end of the accounting period.

Note that Making Tax Digital for income tax will be applicable to sole traders from April 2026 if the total income is greater than £50,000. The date for partnerships is still to be confirmed.



PAYROLL

If you plan to employ someone or are incorporating and, as a director, will be drawing a salary, you will need to register a payroll scheme with HMRC and file your payroll submissions under Real Time Information (RTI) directly with HMRC.

A pension scheme will also need to be set up if you have any employees who are not directors and are aged between 22 and pensionable age and earning more than £10,000 per annum. Employees can opt out of the scheme if they wish.

Currently the minimum pension contributions are 3% for the employer and 5% for employees. These are compulsory up to the qualified earnings threshold of £50,000.

We have a separate team who can deal with all your payroll needs.



COMPANY SECRETARIAL SERVICES

This applies to Companies and LLPs only.

Company Secretarial services cover:

- company incorporations;
- share restructuring;
- share transfers;
- annual confirmation statement filing; and
- maintenance of the company statutory registers.

As a limited company, you should also consider the location of the company's registered office, as this becomes the company service address and appears on public record, as well as on invoices sent to customers.

Hazlewoods Governance and Compliance Services team can provide company secretarial services tailored to meet your requirements.



TAX INVESTIGATION SERVICE

HMRC could select you for a random tax enquiry regardless of whether you have done anything wrong. Even if HMRC do not find any errors, a basic tax enquiry could typically cost more than £5,000, and last around 18 months.

Our Tax Investigation Service means that, should you or your business suffer an HMRC investigation, we can:

- provide you with full professional representation from tax and accountancy staff who already know you and understand your tax affairs;
- handle HMRC on your behalf by dealing with all correspondence and attending all meetings; and
- negotiate the best possible result for you.

We believe that our Tax Investigation Service provides a lifeline to our clients by providing low cost, valuable peace of mind, at a time when it is most needed.

The service includes:

- Protection from defence cost of up to £100,000 in the event that you are selected for an investigation.
- Directors/partners and their spouses will continue to receive personal protection when a company or partnership takes out a business subscription and we prepare the individual's tax return.
- 'Out of hours' helpline for unannounced HMRC visits.

APPENDIX 1 –

POA = payment on account

TAX PAYMENT ON ACCOUNT (assumes profits/income increases each year)

Tax year	Tax due (example only)	31 January 2023	31 July 2023	31 January 2024	31 July 2024	31 January 2025	31 July 2025
		1st POA	2nd POA	Balancing payment and 1st POA filing deadline for 2022/2023	2nd POA	Balancing payment and 1st POA filing deadline for 2023/2024	
Year ended 31 March 2023 (1st year accounts)	2022/ 2023	£11,205	n/a as 1st year	n/a as 1st year	£11,205		
Year ended 31 March 2024	2023/ 2024	£13,200			£5,602.50*	£5,602.50*	£1,995
Year ended 31 March 2025	2024/ 2025	£14,000				£6,600*	£6,600*
	TOTAL DUE				£16,807.50	£5,602.50	£8,595
							£6,600

* Based on 50% liability for prior tax year.

FURTHER INFORMATION

This guide has covered a number of different areas, but is a guide only. Our team can help you to achieve your goal of owning your own practice. Please do get in touch if you would like to find out more.



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