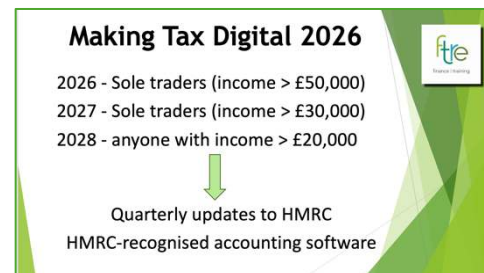


429 – Bookkeeping, Accounts and Tax

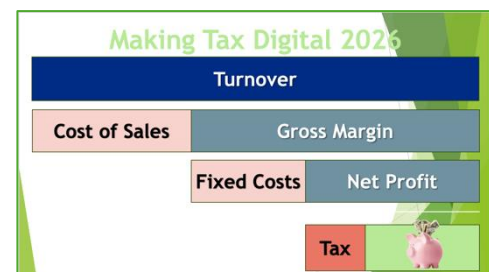
With Steven Bruce and Kate Taylor

The discussion provided an in-depth overview of bookkeeping, financial management, and upcoming changes to UK tax regulations relevant to healthcare professionals, particularly those operating as sole traders or running small clinics. A significant focus was the introduction of *Making Tax Digital* (MTD), a government initiative that will require digital record-keeping and quarterly tax reporting for self-employed individuals with turnover above £50,000 from April 2026, and above £20,000 from April 2027. The speakers highlighted the urgency of preparing for these changes and encouraged early adoption of compliant software to avoid future disruption.



Various business structures were compared, especially sole trader versus limited company status. It was explained that while sole traders benefit from simplicity, forming a limited company can be more tax-efficient once earnings increase, due to factors such as corporation tax and dividend structures. However, this also comes with added administrative responsibilities. The importance of seeking professional advice when deciding whether to incorporate was emphasised.

The session covered foundational financial concepts in a clinical context, including *turnover*, *cost of sales*, *gross profit*, *net profit*, and *margin*. These terms were clearly explained with examples to illustrate how they relate to clinic operations, helping practitioners better understand how to analyse their financial health. A key takeaway was the distinction between fixed and variable costs, with suggestions for tracking and categorising these effectively using accounting tools.



The complication that many accounting concepts were referred to by different names was mentioned:

Accounting Concept	Also Known As			
Turnover	Revenue	Earnings	Income	Sales
Cost of Sales	Variable Costs	Cost of Goods Sold	Direct Costs	Cost of Products Sold
Gross Margin	Gross Profit	Sales margin		
Fixed Costs	Overheads	Indirect Costs	Operating Costs	Fixed Outlays

It was explained that

- “Costs of Sales” refers to expenses which vary in direct relation to sales made. For example, the more patients you treat, the more couch roll you use.
- “Fixed Costs” are fixed in the sense that they don’t change whether you treat 10 patients or a hundred. It doesn’t mean that your rent won’t increase or the cost of milk won’t rise!

The purpose of Balance Sheets and Profit and Loss Reports, and how these relate to the accounting terms above was explained.

A significant portion of the discussion was devoted to choosing suitable bookkeeping software. The features and benefits of cloud-based platforms such as Xero, FreeAgent, and QuickBooks were outlined. Xero was demonstrated in detail, showcasing tools like bank reconciliation, invoice generation, income tracking, and expense categorisation. The software’s automation capabilities, including syncing with bank accounts and importing receipts via linked apps like Dext, were highlighted as major time-saving advantages. The value of professional training or support in using these systems was also noted.

Compliance with HMRC expectations was a recurrent theme. The importance of storing records digitally, keeping backups, and maintaining clarity in one’s financial accounts was underscored. Attendees were advised to retain evidence for all claimed expenses and to understand what constitutes a legitimate business cost. Examples were given of allowable and disallowable expenses, with clarification provided on grey areas such as clothing, home office claims, and mixed-use items.

The presenters encouraged clinicians to become proactive in managing their finances. This includes reviewing pricing, setting targets, and generating simple reports to monitor performance across different revenue streams or practitioners within a clinic. Listeners were reminded that while an accountant can assist with annual returns, regular bookkeeping provides the data needed to make informed business decisions.

Finally, the discussion concluded with practical guidance on preparing for MTD and improving overall financial literacy. Practitioners were advised to begin using accounting software immediately, even before the legal requirement, to become comfortable with its features and ensure a smooth transition ahead of the 2026 deadline.