

PRACTICE MANAGER PROFIT ILLUSTRATIONS

Current position

Partnership profit is £690,000 before deducting employer's superannuation for partners
6 full-time partners so each has a profit of £115,000 (£100,542 after employer's superannuation)

	£
Practice manager on a salary of £45,000	
Cost to practice	
Gross pay	45,000
Employer NI	4,997
Employer pension	6,471
	<u>56,468</u>

Option 1 - fixed share plus bonus

Practice manager to receive a fixed share of £55,000 plus a bonus equal to 30% of full-time partner share in excess of £100,000

If no change in profitability, the partnership profit as a result of practice manager becoming a partner would be

	£
Current profit level	690,000
Saving in practice manager salary	56,468
Cost of additional tax return and pension certificate - say	(600)
	<u>746,468</u>

The profit share, if profits reduced by 10%; stayed the same, or increased by 10%, for each partner would be:

	10% reduction in profitability			No change in profitability			10% increase in profitability		
	Profit share for each of the 6 full- time GPs £	Practice manager profit share £	Total partnership profit £	Profit share for each of the 6 full- time GPs £	Practice manager profit share £	Total partnership profit £	Profit share for each of the 6 full- time GPs £	Practice manager profit share £	Total partnership profit £
Basic profit	102,804	55,000	671,821	115,245	55,000	746,468	127,686	55,000	821,115
Bonus (30% of profits in excess of £100,000)	(140)	841	-	(762)	4,573	-	(1,384)	8,306	-
Profit after bonus	102,663	55,841	671,821	114,482	59,573	746,468	126,302	63,306	821,115
Employer's superannuation	(12,907)	(7,020)	(84,462)	(14,393)	(7,490)	(93,847)	(15,879)	(7,959)	(103,232)
Profit share after employer's superannuation	89,756	48,821	587,359	100,090	52,084	652,621	110,423	55,347	717,883
Profit share / salary under current arrangements	90,488	45,000		100,542	45,000		110,596	45,000	

Option 2 - variable profit share

Practice manager to receive a profit share equal to 50% of parity GP profits

	10% reduction in profitability			No change in profitability			10% increase in profitability		
	Profit share for each of the 6 full- time GPs £	Practice manager profit share £	Total partnership profit £	Profit share for each of the 6 full- time GPs £	Practice manager profit share £	Total partnership profit £	Profit share for each of the 6 full- time GPs £	Practice manager profit share £	Total partnership profit £
Basic profit	103,357	51,679	671,821	114,841	57,421	746,468	126,325	63,163	821,115
Employer's superannuation	(12,994)	(6,497)	(84,462)	(14,438)	(7,219)	(93,847)	(15,882)	(7,941)	(103,232)
Profit share after employer's superannuation	90,363	45,181	587,359	100,403	50,202	652,621	110,444	55,222	717,883
Profit share / salary under current arrangements	90,488	45,000		100,542	45,000		110,596	45,000	