

The Tax That Closed 3,600 Doctors' Offices

A UK tax policy intended to soak the rich has caused highly specialized physicians and surgeons to retire early, depriving more than a million citizens of their services. A new report details the extent to which progressive taxation has harmed British patients.

The [NHS](#) is in a [state of perpetual crisis](#) characterized by doctor shortages, [long wait times](#), and [rationing](#). The UK lost 441 general practitioners last year and had [11,576](#) unfilled vacancies for doctors as of last June.

But in the last six years, 585 surgical practices have [closed](#) down, affecting 1.9 million patients. Last year alone, 138 surgery facilities closed their doors, up from 18 in 2013.

What changed during that time? *The Daily Mail* [explains](#):

The [British Medical Association] has warned that growing numbers of GPs and consultants are taking early retirement or cutting back on work to avoid hefty pensions taxes which make it uneconomic to continue practising. Retiring GPs often create a domino effect by leaving remaining colleagues with more work, who in turn become demoralised and quit.

The problem has been compounded by the fact that more doctors are now working part-time.

Some members of UK society dismiss anything published in the *Daily Mail*. However, more socially prestigious outlets [confirmed](#) that analysis:

An investigation [in March] by the Financial Times found widespread evidence of consultants refusing to take on extra work to clear patient backlogs fearing extra pay would bust

tax allowances on their pensions contributions, triggering five-figure tax bills. ...

[T]he Department of Health conceded that around 3,500 consultants and GPs had retired early over the past three years due to pension tax charges.

The NHS pension system is a Byzantine labyrinth of rules and regulations impossible for most people to navigate. [These two videos](#) explain the problem.

In brief: NHS doctors have no choice about whether, or how much, to contribute to their public pension. Physicians must contribute up to 14.5 percent of procedures deemed “pensionable pay.”

Citizens may also have a private pension plan. But since deposits are tax-deferred, the government slashed the annual limit on contributions from £255,000 in 2010-2011 to £40,000 in 2014-2015. There is also a lifetime pension limit of £1,055,000.

To further complicate matters, a penalty kicks in on anyone earning an “adjusted income” of £150,000 annually – but that amount includes earnings *and* any growth in the pension plan (which is impossible to foresee).

That can cause doctors to exceed government-mandated caps and see their income [taxed](#) at 40 to 45 percent. In some cases, they end up paying the NHS to work.

Doctors respond to these perverse incentives the same way all rational actors do: by closing up shop. All parties agree the UK’s progressive tax policy triggered this cascading medical shortage. Matt Hancock, secretary of state for Health and Social Care, [admitted](#), “This is an unintended consequence of a different tax change made a couple of years ago.” The policy “produced unforeseen consequences, resulting in punitive tax

bills for senior doctors who carry out much-needed work,” said NHS Providers. And a spokesman for the BMA blamed “the unintended consequences of changes to the pension taxation rules.”

If only someone had [warned](#) them.

Politicians are aware of the problem, but they cannot offer any solutions because of envy. A government insider told *The Guardian*, “There’s no way any government, not just this one, is going to change the tax system to benefit people who are in the top one percent of earners.” Not even if members of that one percent keep the other 99 percent alive.

The government sees only half of the equation: temporary tax revenue and short-term political advantage. A spokesperson for the Treasury confirmed to the *FT*, saying that “we do have to get the balance right between encouraging saving and managing government finances, which is why we restrict the tax relief available for the highest earners.”

For the government, it is a simple trade-off of maximizing tax revenue vs. providing “tax relief” to the wealthy.

For half-a-million British patients, the cost is too high and too personal.

Increasing taxes on the wealthiest Brits has harmed them in at least five ways:

1. It reduces the supply of medical providers. This has been especially hard on specialists and the most qualified. Their high salaries reflect market demand plus the scarcity of their service.

2. It temporarily leaves patients without a physician, delaying surgeries even longer.

3. It closes down small shops and benefits big businesses. One-fifth of all 2018 surgical closures saw small providers

absorbed by larger providers, better able to juggle the workload. Economic policies that “favor the little guy” always benefit the big guy.

4. The consolidation favors wealthy patients, and regions, over poor ones. Practices consolidate in high-population areas with a client base sufficient to support them. This moves them farther away from rural areas and increases the travel times (and costs) of the poorest people, who rely on public transportation.

5. It prevents doctors from taking part in the healing vocation. As World War II drew to a close, Pope Pius XII [described](#) the sublime value of medicine to the Army Medical Corps. “How exalted, how worthy of all honor is the character of your profession! The doctor has been appointed by God Himself to minister to the needs of suffering humanity,” he said. “You will bring to the sick-room and to the operating table something of the charity of God, of the love and tenderness of Christ, the Master Physician of soul and body.”

The government should encourage highly educated specialists to use their skills to serve others. Envy-driven taxation schemes, political calculations, and overregulation hinder anyone willing to “minister to the needs of suffering humanity” in the name of the Great Physician.

—

This [article](#) was republished with permission from the Acton Institute.

[Image Credit: [Pixabay](#)]