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HMRC has now had the opportunity to consider the role of a Trainee Clinical Psychologist (TCP) and whether or not payments made to TCPs are exempt from income tax and can be disregarded from earnings for National Insurance contributions (NICs). We have reached our conclusions based on a small sample of contracts, handbooks and job-role descriptions that have been provided.

Contract of Training

Based on the sample reviewed, it is HMRC's view that the contracts given to TCPs, and the terms on which they are engaged, do not constitute contracts of training.

Scholarship income

Provided the relevant conditions are met, income tax legislation gives an exemption from income tax for payments of scholarship income. There are similar provisions for NICs which allow payments of scholarship income to be disregarded from earnings. For NICs there is an additional condition which requires that the payment does not exceed £15480 in an academic year. If this limit is exceeded, no disregard at all can be given and NICs would be due on the full payment of scholarship income.

It is HMRC's view however, that the payments made to TCPs under their contracts do not constitute payments of scholarship income as defined in the income tax and NICs legislation.

It is HMRC's view that TCPs do not receive a specific/specified amount that could be said to be scholarship income for the training requirements they are obliged to complete as part of their role. They are instead paid a salary for the full range of duties they are employed to undertake, which includes an element of training, in order to gain a recognised qualification in Clinical Psychology.

Contract of Employment

Through our review, we have established that a TCPs duties include a mixture of training and service as contracts require TCPs to undertake clinical practice and research activity, as well as academic studies. The service element of the role, given to the relevant NHS organisation, could not be viewed as minor as TCPs are required to undertake clinical practice which includes:

- working independently on a day to day basis;
- complex psychological interviews and assessments;
- running therapeutic groups;
- carrying out appropriate psychological intervention.

In practice, given this requirement for a mixture of training and service, these are effectively contracts of apprenticeship that are intended to end with the TCP gaining a recognised qualification.

Conclusion

It is therefore HMRC's opinion, based on this sample, that a TCP is engaged on a fixed-term contract that requires them to carry out a range of duties including; academic studies, clinical practice and research activity. They are paid a salary for carrying out this full range of activities, rather than being paid an amount of scholarship income specifically for attendance at a relevant educational establishment.

As the payment that TCPs receive is a payment of salary for undertaking the full range of duties they are contracted to perform, it follows that the tax exemption and NICs disregard do not apply to



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TCPs. The full amount paid is therefore correctly subject to income tax and Class 1 NICs, and a refund cannot be given. Tax and NICs should also be deducted from payments made to people currently working on contracts as TCPs or employed as TCPs in future.

If you disagree

It may be the case that some TCPs are on different contracts and terms of engagement to those that we have seen. If you, as an organisation, consider this to be the case, please forward a sample of the relevant documents (e.g. contracts, job specifications, job role descriptions etc.), so that we can fully review them and then inform you of our position.

If you, as an organisation, disagree with HMRC's analysis of the information we have had provided, please explain the basis of your disagreement, and include any relevant evidence, to enable us to consider the matter further.

In the same vein, if you think that TCPs are on contracts of training please advise why you consider that to be the case. Alternatively, if you accept that the contracts are not contracts of training, but maintain that TCPs are paid an amount of scholarship income specifically for meeting their training requirements, please advise why you consider this to be the case and what element of payments made to TCPs should be considered to be scholarship income.

Please provide this information to the existing HMRC NHS WAT Mailbox.