

VAT in *BLACK & WHITE*

NHS VAT UPDATE: August 2010

Introduction

Berthold Bauer is the VAT & TAX specialist, working with the National Health Service and Government Bodies throughout the United Kingdom.

The NHS '**VAT in Black & White**' provides recent VAT and Tax news and developments which affect all NHS and Government bodies.

This issue

Nursing staff	HMRC Assessment letters
The WHITE PAPER	Output Tax
Cycle to Work scheme	Income VAT Guide

Supplies of Nursing staff – choose your VAT liability

HMRC has recently released the long awaited clarification to the rules surrounding VAT liability against supplies of Nursing staff.

As a general rule, supplies of staff by recruitment agencies are always Standard rated for VAT. However, by concession, employment businesses supplying nursing staff (and auxiliaries), as a principal, to a third party may [choose to Exempt their supply](#). There are further conditions and criteria to be met by the agencies in order to qualify for this concession.

Additional to the public notice released by HMRC, we have also received agreement from HRMC that the [concession may also be extended to NHS bodies](#) who themselves may make supplies of Nursing staff (e.g. secondments of Nurses to Charities, Hospices etc). This is excellent news as many of these organisations have no, or a very limited, ability to reclaim any VAT charged (many of which are large SLA agreements).

The WHITE PAPER – TAX IMPACT

Everyone should have now received, and may have read, the 'Liberating the NHS' White Paper from the DOH.

Whilst discussions and evaluations are still at the earliest stages it is worth considering any VAT and TAX implications that may arise throughout the process.

The first major concern is the limited ability for GPs to reclaim VAT overheads and the fact the Contracted Out Service rules do not extend to GP-led organisations. According to Government accounts, NHS VAT refunds account for approximately 5% of the total NHS budget – hence there is a real cost impact to be considered.

At present, we believe this may be a fairly nominal impact as GPs led organisations would still commission, and end expenditure would still be incurred by, NHS Trusts and PCT Providers. VAT currently claimed by SHA/PCT Commissioners may be transpire to be an addition to the total cost of running the NHS.

Cycle to Work scheme

The ability to reclaim VAT incurred for purchasing/leasing bicycles under the Cycle-to-work scheme follows an organisation's normal ability to reclaim Input Tax (VAT) on purchasing such items. Only organisations that normally reclaim all their VAT costs, e.g. Local Authorities, or fully taxable business, may effectively provide a VAT savings to their employee.

The NHS and many Government Bodies do not have an ability to reclaim Input Tax on such supplies. Therefore, as slightly daft as it sounds, the NHS body, or the employee, must normally suffer the final VAT cost of these bikes.

HMRC Assessment letters

It has now become common practice for the NHS Administration Team at HRMC to issue letters to NHS bodies asking for past expenditure reports (e.g. invoices reclaimed under Heading 69 agency staff). This can be a time consuming administration duty for Trusts and incorrect data sent to HMRC can result in unnecessary assessments being levied.

Please note Berthold Bauer often holds much of the data required and we do offer to assist with these requests. For free assistance, please contact us as soon as any letters are received.

Output Tax

When to charge VAT can often be a challenge for many Government bodies to attain full compliance with the HMRC regulations.

Output Tax assessments can often lead to a real, and sometimes a very substantial, cost for under-declarations. One of the main offenders is supplies made to other non-for-profits and Government bodies. If your customer is not in your own Divisional VAT Registration Group then they are just another customer... and the correct VAT liability should be considered accordingly.

To assist, we have provided a short crib list for NHS bodies below. This is far from conclusive and further advice should be sought against any specific enquiries.

[For a laminated versions of our wall charts \(Income Guide and COS list etc\) please drop us an email and we'll happily post copies for no charge.](#)

[If you have any VAT enquiries, Berthold Bauer are happy to offer their FREE expert VAT advice](#)

Telephone: **0800 328 9254**
Email: vat@bbvat.co.uk

NHS Income - VAT Guide

Supply*	VAT Rate	Notes	
Advertising / Sponsorship	Standard	<i>please also see donations</i>	STD
Car Parking	Standard	<i>cash receipts and recharges</i>	STD
<i>Wheel clamping fees</i>	No VAT		OtS
Catering Services	Standard		STD
<i>Basic Provisions (Milk, Sugar, Fruit, Bread)</i>	No VAT	<i>unless part of a catering service</i>	ZR
<i>Qualifying Cold Take Away Foods</i>	No VAT	<i>see VAT Notice 709/1 for full list</i>	ZR
Childcare and Nursery income	No VAT		EX
Contraceptive Products	Reduced		RR
Donation, grants, funding	No VAT	<i>Strictly only where no service supplied in return</i>	OtS
Drugs & Prosthetics	---		
<i>Prescription fees (NHS)</i>	No VAT	<i>from patients</i>	OtS
<i>Commercial and retail sales</i>	Standard	<i>inc GPs, Pharmacies and Private Hospitals</i>	STD
<i>Qualifying commercial charitable sales</i>	No VAT	<i>where exemption certificate received</i>	ZR
Energy / Utilities	---	<i>nb: may be superseded if part of a lease/rent supply</i>	
<i>Fuel or power (gas/elec) ~ non-domestic</i>	Standard		STD
<i>Fuel or power (gas/elec) to staff, residential or registered charities</i>	Reduced		RR
<i>Water</i>	No VAT		ZR
Facilities / Building work (re)charges	Standard		STD
Laundry and linen	Standard	<i>including staff recharges</i>	STD
Lease Car	Standard	<i>including staff recharges</i>	STD
Library Services	No VAT		ZR
Medical Reports	No VAT	<i>all statutory charges</i>	OtS
Mortuary Services and Body storage	Standard	<i>e.g. Local Authority income</i>	STD
<i>services under section 19 of the Coroners Act 1998</i>	No VAT		OtS
Occupational Health Services	No VAT		EX
<i>Pre-Employment Checks</i>	Standard		STD
Payroll & Administration Services	Standard		STD
Postal Services	Standard		STD
Printing	Standard		STD
<i>Leaflets / Books / Pamphlets</i>	No VAT	<i>qualifying goods</i>	ZR
Private [Patient] Healthcare	No VAT	<i>including non-reciprocal overseas patients</i>	EX
Property and Land income	No VAT	<i>where no Option to Tax enforced</i>	EX
Property and Land income	Standard	<i>with Option to Tax enforced</i>	STD
Property rental income (residential and staff)	No VAT		EX
Research & Development	---	<i>includes salary contributions to undertake R&D work</i>	
<i>no patient involvement</i>	Standard	<i>i.e. advice only</i>	STD
<i>with patient involvement</i>	No VAT	<i>e.g. clinical trials</i>	EX
Sale/lease of Equipment and goods	Standard		STD
Sale/lease of qualifying Equipment and goods to charities	No VAT	<i>where exemption certificate received</i>	ZR
Secondments and Staffing supplies	---	<i>where persons belong to your NHS body</i>	
<i>[Clinical] Personnel to other Government bodies (exc Charities)</i>	No VAT	<i>where persons have specialist knowledge that [generally] cannot be obtained from the private sector</i>	OtS
<i>Supplies to any other National Health body</i>	No VAT		OtS
<i>Joint working arrangements</i>	No VAT	<i>with Universities (where qualifying)</i>	OtS
<i>Nurses and supervised HCAs</i>	No VAT	<i>by HMRC concession. e.g. to hospices</i>	EX
<i>All other staff and personnel supplies</i>	Standard	<i>nb: including medical professionals (though qualifying healthcare services may be exempt)</i>	STD
Security services	Standard		STD
Smoking Cessation Products	Reduced		RR
Speech & language therapy	No VAT	<i>commercial income</i>	EX
Staff Subscription Collections	No VAT	<i>i.e. union contributions etc</i>	OtS
Sterilisation of Equipment	Standard		STD
Telecoms	Standard	<i>cash receipts and recharges</i>	STD
Testing Services	Standard		STD
<i>with clinical analysis</i>	No VAT		EX
Training, Education and courses	No VAT		EX
Transport	Standard		STD
<i>Patient transport</i>	No VAT	<i>excludes Inpatients</i>	ZR
Women's Sanitary Products	Reduced		RR

* NB: All income received from NHS Trusts in your own country (exc Moorfields) is Outside the Scope of VAT

This above information and guide is not exhaustive and should not replace professional guidance. Berthold Bauer is not liable for any mis-declarations or misinterpretations.