

VAT in *Black & White*



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This issue:

- *Agency Staff update*
- *Salary Sacrifice*
- *Datix payments*
- *Laboratory Services*

Introduction

Berthold Bauer is the VAT & TAX specialist, working with the National Health Service, Public Health Providers 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.

Agency staff [Reed Employment] – HMRC's official position

HMRC have now given their official stance following the Reed tribunal ruling in relation to agency staff (i.e. VAT on the whole supply or the 'margin element' only).

HMRC have determined the findings of the Reed case were limited only to the facts of that case and Reed's own historic supplies.

Therefore, their position is unchanged and they reaffirm their understanding that all staff agency suppliers should levy VAT on the whole value of their supply.

Introductory services, where the employer contracts and pays the staff directly, will remain VAT-able on the introductory levy only.

As we have previously noted, Reed are likely to proceed with a further appeal. Submitting 'protective' claims could still be prudent exercise and should still be considered if not already implemented.



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Salary Sacrifice arrangements

Following the ECJ case of AstraZeneca, it is now accepted that most salary sacrifice schemes will be regarded as a supply made to the employee. HMRC have requested all employers implement the new guidelines **from 1st January 2012**.

The main 'impact' to the NHS will be to ensure Output Tax is accounted for against all normally taxable supplies from this date. The main schemes will be:

- Cycle to Work schemes (C2W)
- Home Computer initiatives (HCI)
- Car Parking charges
- Face Value Vouchers

For the NHS, it is unlikely to create a new 'cost' to either party, as instead of passing through a Gross charge to the employee; a Net plus VAT charge will now be accounted for. Previously disallowed Input tax may now be recovered by the employer subject to the normal rules.

For the NHS, employee lease cars should already be treated on this basis. Ordinarily Exempt supplies will not give rise to an Output Tax charge, but should be considered towards your partial Exemption liability (e.g. childcare).

Datix Limited

'Datix' is a well known supplier to the NHS, providing reporting software and services.

Their charges were commonly invoiced as an 'annual charge', which covered the software licence, support and updates etc

Whilst it may have been previously understood their charges were 50/50 support, it is now understood they clearly their separate support charges on their invoicing to their clients.

The annual charge is therefore believed to be predominately only for software and updates, hence does not permit recovery under the Contracted Out Services rules.



Quotation

"The best things in life are free... but sooner or later the government will find a way to tax them"

- author unknown

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The new VAT fractions:

Gross / 6 = VAT

Gross / 6 x 5 = Net

Net / 5 = VAT

Net / 5 x 6 = Gross

VAT x 5 = Net

VAT x 6 = Gross

Laboratory Services

Berthold Bauer has received confirmation from HMRC's policy on the VAT liability of various blood sciences, pathology, hematology, microbiology, biochemistry and other laboratory services.

Following outcomes from a number of European tribunal cases, there may now be a revision and an impact to many NHS Hospitals, Public and Private Health providers who carry out laboratory and analytical assessments for individuals and other organisations.

We recommend all organisations that operate these services to check the VAT treatment of their income streams to ensure correctness.

Importantly, for any VAT monies that have been incorrectly paid over to HMRC, there could also be scope to request a [significant] repayment of VAT (subject to the normal unjust enrichment rules).

HMRC Penalties Training

Compliance with HMRC's regulations is an important requirement for all organisations.

We are happy to assist with the provision of [CPD qualifying] bespoke workshops to assist with your own department's procedures.

Please feel free to contact us to discuss any requirements.



FREE Helpline and Advice

If you have any VAT enquiries, Berthold Bauer are always happy to offer their FREE expert VAT advice

Telephone: **0800 328 9254**
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