

## NHS VAT UPDATE: February 2009

### Introduction

Berthold Bauer is the Healthcare VAT specialist, working with the National Health Service throughout the United Kingdom.

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

<b>Changes afoot?</b> VAT Rate Change Fleming claims update	<b>This issue</b>	<b>HMRC PE Assessments</b> June 30 <sup>th</sup> deadline
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### Contracted Out Services - changes afoot?

Many VAT advisors have discussed and released information covering potential amendments to be introduced by HM Treasury [enforced by HM Revenue & Customs] from 1<sup>st</sup> April 2009.

To date, many of the 'changes' have not been formally agreed, or confirmed by any Government department. The rumour-mills may well be correct, so prudent Financial Managers are already accruing or expecting increased costs for the 2009/2010 financial year. For assistance or advice on the potential impact for your organisation Berthold Bauer can freely provide a financial estimate for your accounts.

More information will be provided once we have received official confirmation, but it is likely there will be revisions (and restrictions) as summarised below:

#### VAT on Commission [agency staff]

HMRC has already confirmed it is expecting to remove the 'VAT on Commission' Staff Hire Concession. VAT will now be chargeable on the whole value of the supply [for agency staff]. Only a proportion of NHS agency staff are contracted on these terms - so the impact will vary for each Trust

#### COS Heading 41 (Nurse services)

This heading may be restricted to allow for 'qualified' agency nurses only

#### COS Heading 52 (Professional Services)

This heading may be limited to internal auditing, legal advice/opinion and for departmental policy/efficiency advice only

#### COS Heading 69 (Typing, secretarial and clerical services)

Agency staff may no longer be permitted under this heading

#### Procure 21 Projects

HMRC may revise the VAT treatment for Procure 21 projects. If changes are introduced, it will potentially further restrict the VAT recovery on many schemes

With all these likely or potential changes and revisions, there are obvious and often benefits to forward planning. Pay and Capital expenditure is perhaps the most important area to discuss with a VAT specialist in order to gauge any budget impact.

*The above information is for guidance purposes only and should not be acted on without proper consideration of the particular circumstances or seeking Professional advice. Every effort has however been made to ensure statements are as accurate as possible*

### VAT Rate Change [credits and savings....]

Many NHS Trusts have paid in advance for a variety of ongoing supplies of goods and services. Where a Trust has made a payment against an invoice at the old rate (17.5%), they may be entitled to a credit of VAT to account for the new standard rate (15%). Large payments have generally stood out, but the cumulative smaller charges are quite often 'over-looked'. Although a 'fiddly' exercise, Trusts should still review their expenditure to ascertain any claims for credit that may exist.

### 'Fleming' claims – important update

HMRC has now provided guidance for making and submitting 'Fleming' claims. Where eligible, NHS Trusts can submit claims for the periods 1973 – 1997 (24 years), for any substantiated under-declared Input Tax (e.g. private patient activity) or over-paid Output Tax (e.g. catering).

HMRC has quite reasonably requested any Trust making a claim to 'respect the neutrality' of the tax. For submitted claims any Partial Exemption liabilities should also be accounted to any backdated periods reviewed. For those Trusts logging a claim with HMRC this may be a sizeable repayment to HMRC. Your advisor will be able to advise on the overall 'net' benefit (or loss) should you now proceed with a claim.

### HMRC Partial Exemption Assessments

For those NHS bodies who do not submit their own periodic Partial Exemption calculations to HMRC (or via an advisor), Customs are at liberty to raise their own assessment. Many Trusts have subsequently made large repayments to HMRC (usually under the 'radar' of Finance Managers) where a more detailed calculation can still be made.

We have had one Trust where, had it not been checked, the Trust would have overpaid £146,000 to Customs from their assessment. Trusts who continue to 'ignore' this area also risk losing any eligible trading input tax which they are entitled to reclaim in their favour.

### June 30<sup>th</sup> NHS VAT deadline – secondary reviews

Please remember all 2008/2009 Contracted Out Service VAT adjustments must be made prior to **30<sup>th</sup> June 2009**. Last year we were inundated with requests from NHS bodies for 'secondary' assessments of their payments. As reviews are usually contingency based, there is zero financial risk (only potential gain) associated with identifying additional VAT reclaims and ensuring greater HMRC compliance. With respect to outsourced Shared Service departments or in-house Accounts Payable clerks, they can not be expected to review all payments in-depth or have the expert knowledge occasionally required for 100% accuracy. Please contact us as early as possible to discuss conducting and completing a review before the HMRC June 30<sup>th</sup> deadline.

For elaboration on any aspect discussed here, or 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**