

VAT in *Black & White*



July 2011

This issue:

- *Partial Exemption requirements*
- *'Reed' update*
- *GP Consultancy*
- *Medical reports*
- *HMRC Penalties Training*

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.

Partial Exemption adjustment

It is a requirement for most VAT registered organisations to undertake a Partial Exemption assessment for each VAT return period.

Whilst HMRC have previously permitted retrospective calculations, as part of the introduction of penalties to the NHS, they are now requesting monthly adjustments to be made against each VAT return. This will be applicable if your body is partially exempt (e.g. Acute Hospitals).

Due to the complexities of completing calculations for the NHS they will permit either a fully detailed calculation OR a reduction of VAT (COS) recovery based on actual historic liability proportions.

Your adviser should be able to provide you with your exempt proportion in order for you to directly reduce down your periodic recovery on your VAT returns.



Berthold Bauer -
providers of specialised VAT and
TAX services since 1996

 **BERTHOLD BAUER**
VAT CONSULTANTS



Reed Employment update

As you may be aware Reed Employment recently won a First Tier VAT tribunal agreeing VAT should only be accountable on the 'margin' element of certain agency staff. The result could possibly lead on to a significant savings to Healthcare providers by reducing the VAT they incur on similar supplies.

HMRC have decided not to appeal against the judgment but frustratingly have made no public comment to date. It is also our understanding that Reed may in fact further appeal to establish greater points of principle which they believe were not fully resolved.

It is worth requesting to your own agency staff suppliers that they follow suit and start charging VAT on the same basis. They may, or may not, be willing to do this pending HMRC's stance.

It is also expected any retrospective corrections would go back to 2009 (HMRC's removal of the staff hire concession), well within the four year cap, though feasibly claims could be examined prior to this date.

In order to establish your own exposure, possible savings and next steps, please feel free to contact one of our advisers.

GP Consultancy

Many PCTs are currently receiving professional advice from GPs towards the restructuring of the NHS. The supply from the GP to the PCT is a taxable supply irrespective of how the PCT reimburses the GP for these services.

A few PCTs have suggested providing additional [GMS/PMS] funding, or provide additional support for the GP's own temporary staff hire cost whilst they are absent providing advice to the PCT (i.e. 'backfill' costs). Alternatively, where a contracted GP has subcontracted the work themselves the subcontractor is asked to invoice the PCT direct.

From a VAT perspective, all the above scenarios (or similar) do not avoid a taxable supply from the GP to the PCT. The GP, if liable to be VAT registered, should invoice the PCT plus VAT. This VAT charge would not ordinarily result in an end cost to the GP or the PCT.



Quotation

"When asked by William Gladstone, then Chancellor of the Exchequer, of the practical value of electricity, Michael Faraday replied:

"One day sir, you may tax it"

circa 1850

**Berthold Bauer
VAT Consultants**

Head Office:

The Old Goat House,
Dencross Farm, Roman
Road, Edenbridge,
Kent, TN8 5PN

Tel: 01732 868266
Fax: 01732 868 277

Other Offices:

82 King Street
Manchester
M2 4WQ6

Tel: 0800 328 9254
Fax: 0161 935 8001

Please contact:
Scott Harwood

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

Medical Records, assessments and reports

As a reminder, where access to a patient's medical records are provided under the terms of a statutory requirement the charge is non-taxable [outside the scope of VAT]. The maximum charge is currently £50, or £10 for electronically held records.

Additional 'administration' fees levied to the statutory charge would be liable to VAT [photocopying and the like].

Where a copy of a health record is provided in circumstances that do not fall within a statutory obligation then the whole supply is taxable supply at the standard rate.

Charges made for medical reports and assessments can also commonly be liable to VAT. Where a report is provided to a third party to enable them to make a [business] decision (i.e. their service contains no element of therapeutic care) then a taxable clinical service is being provided. Common examples include:

- Assessments/reports for licences (DVLA)
- Assessments/reports for insurers/pensions for 'valuing' a policy
- Assessments/reports for legal decisions which do not involve therapeutic care
- Pre-employment checks (assisting an employer to decide whether to hire)

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**
Email: **vat@bbvat.co.uk**
Web: **www.bbvat.co.uk/free-vat-helpline.php**