

VAT in *Black & White*



March 2011

This issue:

- 2011 Budget
- 'SLA' contracts with SETs
- Discontinued LIFTs
- Fleming claims update

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.

2011 Budget – VAT update

There is relatively little VAT news from the Finance Budget 2011.

The main points to note are an increase in the **VAT Registration threshold** to £73,000.

There will be a consultation into **VAT cost sharing** (e.g. staff between charities and possibly government agencies). Any extended agreements would be welcome to help avert VAT costs arising from NHS/GP/Not-for-

Profit/Education joint working agreements.

Lastly, there is mention of a forthcoming amendment to the classifications of **business/non-business positions** for public bodies. This may well imply more services could be regarded as 'non-business' negating requirements to treat incomes as taxable or exempt.



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SLA contracts with Social Enterprises

Many of the new (non NHS) public health Social Enterprise Trusts (SET) / Community Healthcare organisations (CICs) have very large (£XM) Service Level Agreements with other NHS bodies.

These are commonly for staff, facilities management, wheelchairs and stores, estates, back office and healthcare coverage. Either the NHS body or the SET may be the provider in the SLA agreement.

As VAT may become due on all or many elements, it is extremely important VAT is considered to ensure additional VAT costs are avoided where possible and to ensure neither organisation, in effect, 'loses out'.

Failure to correctly account for VAT may also give rise to significant liabilities and penalties (from 1st April 2011 for NHS).

If you have any agreements with a formed SET then we would advise assistance is sought to ensure compliance and correctness.

Discontinued LIFT projects

We are aware of a number of Local Improvement Finance Trust (LIFT) building projects being 'sidelined', possibly due to funding concerns.

Sizeable expenditure may have been previously incurred by the LIFT Company which in turn many PCTs may have an obligation to reimburse.

As contracts were originally a formal lease agreement the VAT treatment of outstanding monies may vary or even result in a cost to the PCT and/or the LIFT Company. Correct treatment may wholly depend on the terms of the agreement and whether this would be seen as a 'compensation' payment.

Before LIFT Companies issue invoices we would recommend PCTs closely liaise with them to help avoid any common pitfalls.



Quotation

" We contend that for a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle."

[Winston Churchill]

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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

Condé Nast - Fleming claims update

As many NHS Trusts will now be aware, HMRC have finally agreed to release a proportion of these long standing and disputed claims.

This has been very welcome news as many were originally submitted as far back as 2002!

The agreed amounts mainly relate to evidenced overpayments of Output Tax against [cold takeaway] food sales.

The period of the decision [currently] relates only to the Trust operating in their current legal form or where HMRC accept a qualifying transfer of tax liabilities (and right to claim) have occurred. These are limited hence not all Trusts have received any monies to date.

England, Scotland and Wales all have differing histories and legal transfer rights hence there has been a varying application to these regions.

HMRC's 'rejection' to all other periods of the claims are now in appeal. To speed up the process, tax advisers are pushing for HMRC's Alternative Dispute Resolution (ADR) process to be utilised. Permission may be unlikely hence this could be another area of the claims to go through a lengthy formal appeals procedure.

Compliance 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**
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