

# VAT in Black & White



November 2011

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## 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.

## HMRC Cost Sharing consultation

The VAT Cost Sharing Exemption is a provision in European law that allows businesses and organisations making VAT exempt and/or non-business supplies to form groups to achieve cost savings and economies of scale.

Currently, many supplies of staff, goods and services between public and not-for-profits (N4Ps) can give rise to VAT. If the UK does choose to introduce these provisions then such supplies would be relieved of added VAT burdens.

VAT can be a significant disincentive between the NHS, Government Departments, Universities and N4Ps when looking at joint working initiatives. Therefore the introduction of the provisions would certainly be very welcome.

HMRC will release the outcome of their consultation in the near future and we are happy to keep interest parties informed.



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## Cosmetic services

VAT on cosmetic and surgical services has recently been in the news. This is a commonly misunderstood area with many clinicians strongly opposing the principle that VAT should apply to their industry.

It is important to point out that healthcare is only exempt where it is primarily to '*protect, restore or maintain the health of individuals*'. Therefore, purely optional surgery and treatments performed for non-medical, or non-psychological, reasons can not fall under the healthcare exemption.

Clinical services which may not be exempt can include breast augmentation, face lifts, teeth whitening, rhinoplasty, botox, hair transplants, laser hair removal etc

Where services are being performed for a true 'psychological benefit' HMRC currently imply this should be only where there is a diagnosed psychological condition (as opposed to getting a patient to sign a simple form).

## Staff recharges and self employed medical professionals

VAT Notice 701/57 Health Professionals has recently been updated with some minor changes. A new section for supplies of staff is included and re-affirms that supplies of medical staff are currently standard rated for VAT.

The 'end purpose' of health provision is not sufficient to exempt such supplies.

Where organisations provide their staff to a 3<sup>rd</sup> party, and those staff are under the direction of that 3<sup>rd</sup> party, this is a taxable supply. Whilst many locums may regard themselves as working 'autonomously' this does not exclude them from the 'under the direction of' principle.

By concession, supplies of qualifying nurses and nursing auxiliaries only can be treated as an exempt supply.

A recent VAT tribunal for supplies of dental staff [TC01148] reached the above conclusion that supplies may not be treated as exempt healthcare.



### Quotation

*"The purpose of a tax cut is to leave more money where it belongs: in the hands of the working men and working women who earned it in the first place"*

- Robert Dole

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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

## NHS and Section 41 bodies – VAT adjustments (VAT652)

We are receiving a number of queries relating to how 'out of month' VAT adjustments should be processed.

To assist we have drafted a quick and easy wall guide. Please find attached or please feel free to request further copies.

## HMRC updated VAT notices

HMRC have recently issued updated VAT Notices for the Health industry:

**VAT Notice 701/57** - Health professionals and pharmaceutical products  
and

**VAT Notice 701/31** - Health institutions

There are a number of minor amendments, re-wordings and clarifications. The full wording of the notices can be found on HMRC's website [[www.hmrc.gov.uk](http://www.hmrc.gov.uk)] or we are happy to forward copies on request. Should you have any questions or queries relating to the notices please contact one of our advisers for free advice.

## 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**