



## VAT: refunds to health service bodies

---

### Who is likely to be affected?

Health Education England and the Health Research Authority.

### General description of the measure

This measure will add these bodies to a scheme in the VAT Act 1994 (VATA) through which VAT may be recovered.

### Policy objective

The scheme in the VAT Act ensures that what would otherwise be irrecoverable VAT does not dissuade government departments and NHS bodies from contracting out activities, if this would otherwise result in efficiencies of scale. The bodies that are the subject of this measure will replace two NHS bodies which are already entitled to recover VAT.

### Background to the measure

Subject to the passing of the Care Bill, Health Education England and the Health Research Authority will be established as non-departmental public bodies. They will replace two special health authorities, of the same names. Special health authorities are entitled to recover VAT and this measure, announced in Budget 2013, will ensure the same levels of VAT recovery by the successor bodies.

## Detailed proposal

### Operative date

The measure will have effect on and after the date when the bodies are established by the Care Act 2014, if passed.

### Current law

Special health authorities were established under section 28 of the NHS Act 2006 or section 22 of the NHS (Wales) Act 2006 and they are a 'health service body' under section 60(7)(aa) of the National Health Service and Community Care Act 1990. As such, they are bodies which are included in section 41(7) of VATA and can recover VAT under section 41(3).

### Proposed revisions

Legislation will be introduced in Finance Bill 2014 to add NHS England and the Health Research Authority to section 41(7).

## Summary of impacts

<b>Exchequer impact (£m)</b>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	-	nil	nil	nil	nil	nil
	This measure is not expected to have an Exchequer impact.					
<b>Economic impact</b>	The measure is not expected to have any significant economic impacts.					
<b>Impact on individuals and households</b>	The measure will continue refunding VAT to two successor NHS bodies, with no anticipated impact on individuals or households.					
<b>Equalities impacts</b>	It is not expected that this measure will have any impact on groups sharing protected characteristics.					
<b>Impact on business including civil society organisations</b>	This measure is expected to have no impact on businesses or civil society organisations. It simply preserves the status quo.					
<b>Operational impact (£m) (HMRC or other)</b>	This measure will have no operational impact.					
<b>Other impacts</b>	Other impacts have been considered and none have been identified.					

## Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups.

## Further advice

If you have any questions about this change, please contact David Ogilvie on 03000 585990 (email: david.ogilvie@hmrc.gsi.gov.uk).

## 1 Refunds of value added tax to health service bodies

- (1) In section 41(7) of VATA 1994 (application to the Crown: list of bodies regarded as Government departments) after “Excellence” insert “, Health Education England (established by the Care Act 2014), and the Health Research Authority (also established by that Act),”.
- (2) The amendment made by subsection (1) is treated as having come into force on [...].
- (3) In section 41(7) of VATA 1994 as amended by subsection (1) –
  - (a) for “above,” substitute “ –  
(a) ”,
  - (b) for the “and” after “1990,” substitute –  
“(b) ”,
  - (c) after “1978” insert “,  
(c) ”,
  - (d) for the “and” after “foundation trust” substitute “,  
(d) ”,
  - (e) for the “and” after “Care Trust” substitute “,  
(e) ”,
  - (f) for the “and” after “Health Board” substitute “,  
(f) ”,
  - (g) after “group,” insert –  
“(g) ”,
  - (h) after “Centre,” insert –  
(h) ”,
  - (i) for the “and” after “Commissioning Board” substitute “,  
(i) ”,
  - (j) before “Health Education England” insert –  
“(j) ”,
  - (k) before “the Health Research Authority” insert –  
“(k) ”,
  - (l) the words from “shall be regarded” to the end are to follow, rather than form part of, the paragraph (k) so formed, and
  - (m) in those words, for “shall” substitute “are each to”.

**EXPLANATORY NOTE**

**REFUNDS OF VALUE ADDED TAX TO HEALTH SERVICE BODIES**

**SUMMARY**

1. The Care Act 2014, if passed, will introduce two new NHS bodies: Health Education England and the Health Research Authority. This clause adds these new bodies to the list of bodies within the definition of Government departments which may claim refunds of the VAT they pay on certain goods and services.

**DETAILS OF THE CLAUSE**

2. The clause amends section 41(7) of the Value Added Tax Act 1994 to add Health Education England and the Health Research Authority to the list of bodies to be regarded as persons exercising functions on behalf of a Minister of the Crown.

**BACKGROUND NOTE**

3. Section 41(3) provides that a Government department may claim a refund of the VAT it pays on certain goods and services, if and to the extent that the Treasury so directs. This is to ensure that VAT is not an obstacle to the contracting out of activities to the public and voluntary sectors.

4. Section 41(6) provides that “Government department” includes “any body of persons exercising functions on behalf of a Minister of the Crown”. For the purposes of subsection (6) bodies listed in subsection (7) are to be regarded as a body of persons exercising functions on behalf of a Minister of the Crown”.

5. The bodies named in section 41(7) are NHS bodies.

6. The Care Act 2014 will – if passed - establish the NHS bodies referred to in the clause.

7. This measure ensures that the bodies referred to in the Clause may reclaim the VAT they pay on certain goods and services as provided for in section 41(3).

8. If you have any questions about this change, or comments on the legislation, please contact David Ogilvie on 03000 585990 (email: david.ogilvie@hmrc.gsi.gov.uk).