



Independent
Living Fund

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Policy Circular

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Owner: Corporate Affairs Team

Subject: VAT on Care Costs

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Next Review: N/A

1.0 Background

The Value Added Tax Act 1994 (applicable across the UK) exempts the supply by a state-regulated private welfare institution of care, designed to promote the physical or mental welfare of disabled persons, from VAT. This does not include the supply of accommodation or catering except where it is ancillary to the provision of care.

It is an offence under the Care Standards Act (England & Wales), the Regulation of Care (Scotland) Act 2001 and The Health and Personal Social Services (Quality, Improvement and Regulation) (Northern Ireland) Order 2003, to carry on or manage a domiciliary care agency without being registered with the relevant regulatory body.

2.0 Policy

The ILF will not reimburse a user for any VAT charged by a domiciliary care agency in respect of the care they provide, as all UK domiciliary care providers must be registered with the relevant regulatory body and should therefore be exempt from VAT.

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The Government Standard

2.1 Introduction Agencies

Where a user is being charged VAT by a care agency, we should first establish whether the agency is a provider or an introducer, if the agency is just an introducer VAT will still be charged and the ILF should reimburse this cost accordingly.

3.0 Procedure

The ILF will only agree to pay towards care and support provided by registered agencies.

Where a user is being charged VAT by an agency, clarification should be sought as to which services VAT is being charged for. If the charge is not in relation to the provision of care, and the ILF have agreed to fund the service against which VAT is being charged, the VAT should also be paid.

4.0 Source

Value Added Tax Act 1994

The Value Added Tax (Health and Welfare) Order 2002

Care Standards Act 2000

Regulation of Care (Scotland) Act 2001

The Health and Personal Social Services (Quality, Improvement and Regulation) (Northern Ireland) Order 2003

SMB 5 December 2012

5.0 Cross References

Engaging Care Through an Agency

6.0 History Date Reviewed

25 March 2008

03 June 2010

07 June 2011

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