

## Explanatory Note

# Clause 47: VAT: Power to provide for persons to be eligible for refunds

## Summary

1. This clause allows non-departmental public bodies, and similar arms-length bodies, to recover the VAT they incur when they enter into cost-sharing arrangements. Refunds of VAT are subject to certain funding agreements with the Treasury. This will commence from the date of Royal Assent to the Finance Bill.

## Details of the clause

2. Subsection (1) of the clause adds a new section 33E into the Value Added Tax Act 1994.
3. Subsections (1) and (2) of section 33E provide for refunds to be made to specified persons (non-departmental public bodies and similar arms-length bodies specified in an order) of the VAT they incur on purchases made, and goods imported or acquired, for non-business purposes in so far as the Treasury directs for this to happen. Subsection (2) of section 33E allows for HMRC to determine how and when claims are to be made.
4. Because the specified persons will all be publicly funded bodies, subsection (3) of section 33E requires that they enter into agreements with the Treasury to adjust their overall funding by the amount of VAT now recoverable.
5. Subsections (4) and (5) of section 33E determine the latest time at which a claim may be made.
6. Subsections (6) and (7) of section 33E require an apportionment to be made where goods and services are purchased both for business and for non-business purposes.
7. Subsections (8) and (9) of section 33E provide for the Treasury to make orders naming the specified persons who will be entitled to reclaim VAT under this measure.
8. Subsection (10) of section 33E excludes certain purchases from credit under this measure.
9. Subsections (2) to (4) of the clause make consequential amendments to the Value Added Tax Act 1994.

## Background note

10. The purpose of this measure is to allow departmental public bodies and similar arms-length bodies to benefit from refunds of VAT when they enter into certain cost-sharing arrangements, in the same way that government departments and NHS bodies already do.

This will be so whether they enter into such arrangements between themselves or with government departments, or whether they purchase eligible services from third parties.

11. The eligible services are those listed in a Treasury direction which presently applies to government departments and the NHS.
12. To prevent double-funding of those bodies which will benefit from this measure, they must first agree with the Treasury whether their existing public funding needs to be reduced on account of the VAT now recoverable. Once this has happened the Treasury will name the bodies in an order.
13. Because the measure is aligned with the overall funding of the public sector, the bodies in question will be required to make their claims within the financial year in which the VAT has been incurred.
14. 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](mailto:David.Ogilvie@hmrc.gsi.gov.uk))