



HM Revenue
& Customs

VAT: refunds for palliative care charities

Who is likely to be affected?

This measure will apply to palliative care charities.

General description of the measure

This measure will introduce a new VAT refund scheme for palliative care charities. It will enable these charities to reclaim the VAT they incur on purchases made to support their non-business activities.

Policy objective

The government would like to provide financial support for palliative care charities through the introduction of a new refund scheme so that this VAT is no longer a cost.

Background to the measure

The provision of care by these charities is generally not a business activity for VAT purposes where the cost is met from voluntary donations and public funding, rather than from fees charged. There is no provision under normal VAT rules for palliative care charities to recover the VAT paid on purchases made to support their non-business activities. The VAT charged on purchases for the purpose of their non-business activities is a cost to them.

The measure was announced at Autumn Statement 2014.

Detailed proposal

Operative date

This measure will have effect in relation to supplies made, and acquisitions and importations taking place, on or after 1 April 2015.

Current law

Current law provides for a refund scheme for NHS bodies in section 41(3) of the VAT Act 1994. There is no current provision for refund schemes for palliative care charities.

Proposed revisions

Legislation will be introduced in Finance Bill 2015 to add new sections 33C and 33D to the Value Added Tax Act 1994 which will allow palliative care charities to claim a refund of VAT incurred for the purpose of their non-business activities. The legislation will define palliative care charities. The term 'charity' will take its meaning from Schedule 6 of the Finance Act 2010.

Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	-25	-25	-25	-25	-25
	The Office for Budget Responsibility has included these numbers in its forecast.				
Economic impact	This measure is not expected to have any economic impacts.				
Impact on individuals, households and families	<p>This measure is not expected to impact upon individuals and households as it relates to palliative care charities.</p> <p>This measure is not expected to impact on family formation, stability or breakdown.</p>				
Equalities impacts	It is not expected that this measure will impact any particular group sharing protected characteristics differently to any other group.				
Impact on business including civil society organisations	<p>This measure is expected to have no impact on businesses. The government expects around 200 palliative care charities to be affected. These charities are likely to incur negligible administrative costs to reclaim VAT they incur on the purchases of goods and services, imported or acquired as part of their non-business activities. They will benefit from the reclaim of VAT. The scale of the VAT refund will depend on the type and level of expenditure incurred by an eligible charity.</p>				
Operational impact (£m) (HMRC or other)	This measure will have negligible operational impacts.				
Other impacts	<p><u>Small and micro business assessment</u>: this measure is considered to support palliative care charities, enabling them to reclaim VAT on goods and services purchased on non-business activities.</p> <p>Other impacts have been considered and none have been identified.</p>				

Monitoring and evaluation

The VAT refunds claimed by palliative care charities under sections 33C and 33D will be monitored by a dedicated unit within HM Revenue & Customs and normal audit activity will monitor whether the changes are working as intended.

Further advice

If you have any questions about this change, please contact Jo Turner on 03000 589470 (email: jo.turner@hmrc.gsi.gov.uk).