

New NHS bodies: VAT and corporation tax

Who is likely to be affected?

The NHS Commissioning Board, clinical commissioning groups, the National Institute for Health and Care Excellence, and the Health and Social Care Information Centre.

General description of the measure

These measures will exempt these bodies from corporation tax (CT) and add them to a scheme in the Value Added Tax Act 1994 (VATA 1994) which refunds VAT, ensuring 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.

Policy objective

The bodies that are the subject of these measures will replace certain NHS bodies which are already entitled to recover VAT and which are exempt from corporation tax. These measures maintain that treatment.

Background to the measure

As a result of changes arising from the Health and Social Care Act 2012, primary care trusts are to be abolished and replaced by the NHS Commissioning Board and clinical commissioning groups.

Presently the National Institute of Health and Clinical Excellence and the NHS Information Centre are special health authorities. From 1 April 2013 they will cease to exist as special health authorities, and be replaced by two newly created non-departmental public bodies - the National Institute for Health and Care Excellence and the Health and Social Care Information Centre.

The measures were announced at Budget 2012 and will ensure that the successor bodies will continue to recover the same levels of VAT as the existing bodies can and will be exempt from CT as the existing bodies are.

Detailed proposal

Operative date

VAT recovery will take effect from 1 April 2013 and the CT exemption will have effect on and after the date that Finance Bill 2013 receives Royal Assent.

Current law

Primary care trusts and special health authorities are named in section 41(7) of VATA 1994 and can recover VAT under section 41(3).

In so far as HM Treasury directs, section 41(3) refunds VAT to government departments, and to a variety of NHS bodies (named in section 41(7)), including NHS trusts, foundation hospitals, strategic health authorities and special health authorities.

Health service bodies are generally exempt from corporation tax, as they are either part of the Department of Health or have specific exemption provided by sections 985 and 986 of the Corporation Tax Act 2010 (CTA 2010).

Proposed revisions

Legislation will be introduced in Finance Bill 2013 to add the successors to Primary Care Trusts (the NHS Commissioning Board and clinical commissioning groups), and the successors to two special health authorities (which will be the National Institute for Health and Care Excellence and the Health and Social Care Information Centre) to section 41(7) of VATA 1994.

Legislation will amend section 986 CTA 2010 to include the new bodies within the list of health service bodies exempt from CT as provided for by section 985 of that Act.

Summary of impacts

Exchequer impact (£m)	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	-	nil	nil	nil	nil	nil
	These measures are not expected to have an Exchequer impact.					
Economic impact	These measures are not expected to have any significant economic impacts.					
Impact on individuals and households	These measures should not impact on individuals and households.					
Equalities impacts	These measures should have no equalities impact.					
Impact on business including civil society organisations	These measures are expected to have no impact on businesses or civil society organisations as it ensures the new bodies avoid the need to provide additional resources for accounting systems and tax advice.					
Operational impact (£m) (HMRC or other)	These measures will have no operational impact.					
Other impacts	Other impacts have been considered and none have been identified.					

Monitoring and evaluation

The measures will be kept under review by Public Bodies Group, which specialises in government and NHS matters, through communication with affected taxpayer groups.

Further advice

VAT refund: If you have any questions about this change, please contact David Ogilvie on 020 7147 0473 (email: david.ogilvie@hmrc.gsi.gov.uk).

CT exemption: If you have any questions about this change, please contact Simon Moulden on 020 7147 2629 (email: simon.moulden@hmrc.gsi.gov.uk).

1 Health service bodies: exemption from corporation tax

In section 986 of CTA 2010 (exemption from corporation tax: meaning of “health service body”), insert the following entries at the appropriate places in the table—

“a clinical commissioning group	section 1I of the National Health Service Act 2006”
“Health and Social Care Information Centre	section 252 of the Health and Social Care Act 2012”
“National Health Service Commissioning Board	section 1H of the National Health Service Act 2006”
“National Institute for Health and Care Excellence	section 232 of the Health and Social Care Act 2012”

EXPLANATORY NOTE

HEALTH SERVICE BODIES: EXEMPTION FROM CORPORATION TAX

SUMMARY

1. This clause amends section 986 of the Corporation Tax Act 2010 (CTA 2010). The amendment ensures that certain health service bodies created (the new bodies) by the Health and Social Care Act 2012 (the Act) will be exempt from Corporation Tax (CT).

DETAILS OF THE CLAUSE

2. Subsection 1 adds the new bodies at the appropriate place in section 986 CTA 2010. Section 986 provides the meaning of “health service body” for the purposes of the exemption from CT contained in section 985 of that Act.

BACKGROUND

3. The Act is making significant changes to the structure of the National Health Service (NHS) in England. Some existing bodies, such as Primary Care Trusts, are to be abolished and new bodies established; other bodies will change their status (from special health authority to Non-Departmental Public Bodies). Subject to specific legislation these new bodies would be liable to CT.
4. The predecessor bodies were generally exempt from CT, as they were either part of the Department of Health or had specific exemption by virtue of sections 985 and 986 CTA 2010.
5. This measure introduces legislation to similarly exempt the new bodies from CT.
6. If you have any questions about this change, or comments on the legislation, please contact Lorraine Coster on 020 7147 2542 (email: lorraine.coster@hmrc.gsi.gov.uk).

1 Repayments of value added tax to health service bodies

- (1) In section 41 of VATA 1994 (application to the Crown), in subsection (7), after “Board” insert “and a clinical commissioning group, the Health and Social Care Information Centre, the National Health Service Commissioning Board and the National Institute for Health and Care Excellence”.
- (2) The amendment made by this section is treated as having come into force on 1 April 2013.

EXPLANATORY NOTE

APPLICATION OF VAT TO HEALTH SERVICE BODIES

SUMMARY

1. This clause adds, from 1 April 2013, four new categories of National Health Service (NHS) body 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 the National Health Service Commissioning Board, clinical commissioning groups, the Health and Social Care Information Centre and the National Institute for Health and Care Excellence to the list of bodies to be regarded as persons exercising functions on behalf of a Minister of the Crown.

BACKGROUND

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 Health and Social Care Act 2012 establishes the four new categories of NHS body 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 020 7147 0473 (email:david.ogilvie@hmrc.gsi.gov.uk).