

**HFMA NHS VAT Sub-Committee  
Notification of Technical Query**

Subject	<b>Contracted-Out Services Heading 14</b>	
What is your question, or what is the problem?	<b>Application of the rules on CoS Heading 14 following the June 2017 updates to published guidance</b>	
Author(s)	<b>Phil Simmons</b>	
	<b>Question</b>	<b>Response</b>
<b>1</b>	<b>What type of NHS body is affected</b>	<b>All types</b>
<b>2</b>	<b>Description of the issue</b>	
2a	Who is involved, ie supplier, recipient or third party, or if not specific names, then whether NHS or non-NHS body.	<b>Both recipients and suppliers are being affected and are seeking clarity.</b>
2b	Why the supply is taking place and why each party is involved	<b>Applies to all types of IT-related expenditure.</b>
2c	What is being supplied, ie the type of goods or services. Describe this both in terms of what is being charged for and also in terms of how the supply is made. Is the supply one element, or multiple elements?	<b>Involves both goods and services but in particular bespoke IT systems</b>
2d	When is the supply due to take place, or the event due to happen? Outline if is a one-off supply or over period of time.	<b>Does not relate to a specific supply – the issue here is to seek greater clarity in the published guidance.</b>
2e	Where is the supply due to take place? Is the supplier/recipient/delivery all within the UK?	<b>Generally would be all in the UK although in some cases suppliers might be overseas.</b>
<b>3</b>	<b>Government department sponsoring the initiative, if any</b> Or if normal NHS funds being used	<b>N/A</b>
<b>4</b>	<b>Funding</b> Cover what payments are	<b>General NHS funds – likely to be a mix of revenue and capital expenditure</b>

	involved throughout the period of supply, who the funds belong to and who is making and receiving payment. Also explain how the funds are viewed, ie grant, donation, gift or consideration etc	<b>depending on the size of the project.</b>
	<b>Current VAT treatment</b>	
<b>5</b>	<b>Outline the current VAT treatment, if known.</b>  Include relevant extracts/correspondence you may have had with HMRC already	<b>Clarity of the current VAT treatment is being sought – see attached paper.</b>
<b>6</b>	<b>Tax analysis</b> Outline a VAT treatment proposed (if known)  If seeking a review of a current VAT treatment, include a reason for change (if known)	<b>See attached paper</b>
<b>7</b>	<b>Impact and extent of the current issue</b> Outline reasons for query.	<b>A lack of clarity over the rules is causing concern and could lead to risks of over-claiming and under-claiming CoS VAT. Expenditure on IT is significant, particularly in acute providers, and therefore getting certainty on the application of the rules is very important.</b>
	<b>Please complete if known, or leave for HFMA sub-committee completion</b>	
<b>8</b>	<b>State any references to this or similar scenarios in HMRC publications, including websites if any</b>	<b>See attached paper</b>
<b>9</b>	<b>References to tax legislation/documentation supporting a change</b>	<b>See attached paper</b>
<b>10</b>	<b>Other supporting evidence/documentation/ references to be considered by HFMA sub-committee and/or HMRC</b>	<b>See attached paper</b>
Date	<b>18 December 2017</b>	