

New VAT refund opportunity for Hospices

If you would like to discuss this in further detail, please get in touch with our friendly advisor below.

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Major reversal of VAT policy for Continuing Care funding

HMRC are set to announce a major reversal of their existing policy on the VAT treatment of Continuing Care funding received by hospices and other palliative care charities. The anticipated change comes after significant lobbying and pressure from those within the sector and should result in significant VAT savings, both current and also retrospectively in relation to periods where HMRC's current policy has been followed.

Hospices have enjoyed a significantly enhanced VAT recovery position since earlier changes were introduced from 1 April 2015, which effectively granted palliative care charities special status to recover VAT on their non-business activities. However, a point of contention has always been HMRC's insistence that the provision of care to a named patient under a Continuing Care funding arrangement was an exempt supply for VAT purposes. The impact of this has been that hospices were required to

carry out often complex calculations to work out the exact amount of VAT that could be recovered, which in turn placed restrictions on the VAT that could be recovered on both capital expenditure and ongoing running costs.

However, we now understand that HMRC have conceded this point and will shortly be revising their published guidance in this area to confirm that Continuing Care funding should now be treated as non-business income, which will open the door to increased recovery.

Jonathan Main, VAT Partner at MHA Moore and Smalley, comments "This is a welcome change, as it removes a disparity in treatment within the sector. This would perhaps be a good time to revisit current VAT recoveries across the charity and also the treatment of income such as retail sales and fund raising including charity challenges, which have their own particular VAT rules."

We welcome the opportunity to help you find solutions to your challenges and explore business opportunities.

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