



Budget April 2009

The VAT measures announced in the Budget are mainly those that have already been announced and are not likely to have a significant impact on the NHS. The main points are summarised below.

VAT rate

As previously announced, the VAT rate will revert to 17.5% on 1 January 2010. The Chancellor has also announced anti-forestalling measures which are designed to prevent businesses that cannot recover all the VAT which they incur from seeking a VAT benefit when the VAT rate returns to 17.5%.

Where certain conditions are met, a supplementary charge to VAT of 2.5% will be due on supplies of goods or services on which VAT of 15% has been charged. This will apply if the invoice is raised before 1 January 2010 and VAT is charged at 15%, but the goods or services are delivered or supplied on or after that date.

The conditions are as follows:

- The customer cannot recover all the VAT charged by the supplier; and
- The supplier and the customer are connected parties; or
- The supplier funds the purchase of the goods or services; or
- A VAT invoice is issued by the supplier where payment is not due for at least six months.

In addition, if a pre-payment of more than £100,000 is made before the change in rate, for goods/services to be delivered afterwards, then the supplementary charge will also apply (unless the prepayment is part of normal commercial practice).

NHS bodies will therefore need to carefully consider the scope for obtaining VAT savings by making pre-payments or asking for VAT invoices to be raised prior to the rate change.

Land and buildings – the option to tax

Where NHS bodies sell or lease land or buildings they are, like other businesses, able to use the option to tax procedure which converts exempt supplies to taxable supplies. Where the person selling or letting the property has previously received exempt income from that property, they normally require permission from HMRC before they can opt to tax.

There will be some simplification of the rules relating to the procedures for obtaining permission to opt to tax land or buildings which will allow more bodies to opt to tax without needing to seek this permission. Details of the new rules will be published by HMRC in the near future.

Given the complexities of the rules relating to land and property transactions advice should always be taken before entering into any such transactions.

Services received from overseas suppliers

New place of supply rules will come into effect as part of a phased programme throughout the EU from 1 January 2010. The main effect of these new rules will be that more services purchased by UK businesses from overseas suppliers will become subject to the reverse charge.

These rules will affect the NHS when they purchase services from overseas suppliers and they will be required to account for VAT on a wide range of services. Again, the rules are complex so advice should be taken in respect of the purchase of both goods and services from overseas suppliers.

VAT registration threshold

The VAT registration threshold will increase to £68,000 and the deregistration threshold will increase to £66,000.



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