

HMRC

**CONTRACTED OUT SERVICES
REFUNDS**

**A GUIDE FOR GOVERNMENT
DEPARTMENTS & THE NHS**

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1. Introduction

GDs/NHS bodies have been encouraged to contract-out services to the private sector which had traditionally been performed in-house. It is recognised that many of these services would be subject to VAT and where they were acquired for “non-business” purposes, the non-reclaimable VAT could act as a disincentive to contracting-out.

It was therefore decided to compensate GDs/NHS bodies by a direct refund mechanism, which is provided for in section 41(3) of the VAT Act 1994. Under this provision, the Treasury issues a Direction, commonly known as the “Contracting-Out Direction” listing both the GDs/NHS bodies that are eligible to claim refunds of VAT, and the services on which VAT can be refunded.

2. Use of tax advisors

Government Departments

The Treasury’s view of the use of Tax Advisors and Tax Avoidance is explained in the Managing Public Money part of the HMT website; www.hm-treasury.gov.uk. The view is expressed in section 4.2.4 of the HMT guidance.

NHS bodies

NHS bodies use of Tax Advisors is explained in the Department of Health circular ‘EL(97)70’ issued on 10 November 1997.

3. When can I reclaim VAT?

Because refunds of VAT under this measure are met from public expenditure rather than VAT revenues, claims must be made within the financial year in which the VAT is incurred – subject to a 3 month adjustment period. VAT is incurred when it became chargeable or, where you do not have a VAT invoice, the date you receive a VAT invoice.

4. How do I interpret the Treasury’s direction?

We have provided some advice and examples, but they cannot be exhaustive. The purpose of the direction should always be considered – namely to ensure that what would otherwise be irrecoverable VAT does not dissuade you from contracting out a service to the private or voluntary sector. If the service you are purchasing was never performed within government or the NHS, it is most unlikely to fall within the ambit of the direction.

Additionally, it is unwise to assume that the words used must be given a modern date meaning. They may mean exactly what they said at the time they were first included in the direction. For example, the term ‘engineering’ in heading 19 does not include computer engineering; and heading 61 does not embrace digital services.

Some headings are seldom used, or are bespoke to a particular department, and we do not provide explanations for these. Additionally, we are not at this stage providing much narrative for heading 52 because of an ongoing Treasury review. The different guidance for departments and NGS bodies continues to apply for this heading.

5. Recent Developments

HM Treasury have agreed in certain cases that COS refunds may be claimed for the following activities:

- i. Call centre and contact centre services;
- ii. Services provided through International Trade Advisers for UK Trade and Investment;
- iii. Services provided under Framework for Procuring External Support for Commissioners (FESC) other than:
 - Supplies of computer services and professional services that are excluded from the scope of headings 14 and 52 above, unless the Treasury directs otherwise.
 - Elsewhere, the supply of staff.

If you have an agreement in place to claim a refund for these activities you may continue to do so. If you are unsure whether you are entitled to claim then please contact your Customer Relationship Manager/Customer Co-ordinator or the Demand Led Team.

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6. COS Headings

1	Accounting, invoicing and related services
2	Administration of the following:
	• Career development loans
	• Certificates of Experience
	• Government support payments to the Railway Industry Pension Funds
	• Grants and awards
	• Services supplied under the Companies Acts and the Patent and Trademarks Acts
	• Teachers' Superannuation Scheme
	• Vehicle Excise Duty refunds
	• Winter fuel payment scheme
	• Inherited State Earnings Related Pension Scheme
	• Student Loan Scheme
	• Fast Track Teaching Programme
3	Administration and collection of toll charges
4	Aerial photographic surveys and aerial surveillance
5	Agricultural services of the kind normally carried out by the Farming and Rural Conservation Agency
6	Alteration, repair and maintenance of road schemes, except (a) any works carried out pursuant to an agreement made under section 278 of the Highways Act 1980, or (b) works involving construction on land not already used for road schemes
7	Broadcast monitoring services
8	Cartographic services
9	Cash in transit services
10	Catering
11	Ceremonial services
12	Childcare services
13	Collection, delivery and distribution services
14	Computer Services supplied to the specification of the recipient, including the provision of a fully managed and serviced computer infrastructure
15	Conference and exhibition services
16	Debt collection
17	Departmental staff records and payroll systems including administration and payment of pensions
18	Employment advisory services as directed by the Race Relations Act 1976
19	Engineering and related process services
20	Environmental protection services of the kind normally carried out for the Department of the Environment, Food and Rural Affairs
21	Estate management services
22	Export intelligence services
23	Filming, audio-visual and production services
24	Health promotion activities
25	Hire of reprographic equipment including repair and maintenance
26	Hire of vehicles including repair and maintenance
27	Insolvency services
28	Interpretation and translation services
29	Issue of documents to, and control of, bingo halls and off-course bookmakers
30	Issue of documents under Wireless and Telegraphy Act
31	Laboratory services
32	Laundry services

33	Library services
34	Maintenance and care of livestock and fauna in connection with the Royal Parks
35	Maintenance, non-structural repair and cleaning of buildings
36	Maintenance and repair of civil engineering works
37	Maintenance, repair and cleaning of equipment, plant, vehicles and vessels
38	Maintenance and repair of statues, monuments and works of art
39	Medical and social surveys
40	Messenger, portering and reception services
41	Nursing services
42	Office removals
43	Operation and maintenance of static test facilities, engineering and support services and test range industrial support and security/safety services including those acquired for the purposes of research and development
44	Operation and maintenance of stores depots
45	Operation of hospitals, health care establishments and health care facilities and the provision of any related services
46	Operation of prisons, detention centres and remand centres, including medical services
47	Passenger transport services
48	Pest control services
49	Photographic, reprographic, graphics and design services
50	Preparation and despatch of forms
51	Press cutting services
52	52. Professional Advice or opinion on departmental efficiency or policy issues, legal advice or opinion and internal audit.
53	Provision under a PFI agreement of accommodation for office or other governmental use, together with management or other services in connection with that accommodation
54	Publicity services
55	Purchasing and procurement services
56	Radio services
57	Recruitment and relocation of staff and other related services
58	Research, testing, inspection, certification and approval work for the Health and Safety Executive
59	Scientific work of the kind normally carried out for the Department of the Environment, Food and Rural Affairs and the Food Standards Agency
60	Security Services
61	Services of printing, copying, reproducing or mailing any documents or publications, including typesetting services
62	Share Registry Survey
63	Storage, distribution and goods disposal services
64	Surveying, certification and registration in connection with ships and relevant record-keeping and verification, issue of certification, cards, discharge books and campaign medals to seamen
65	Training, tuition or education
66	Transport research of the kind normally carried out for the Department for Transport
67	Travel services, excluding hotel accommodation and fares
68	Travel and transport surveys, including traffic census counts
69	Typing, secretarial, telephonist and clerical services including agency staff
70	Waste disposal services
71	Welfare services

<u>72</u>	Careers guidance, mentoring and counselling to help people into work as part of the New Deal and ONE service
<u>73</u>	Services relating to Action Teams for Jobs and Employment Zones
<u>74</u>	Original research undertaken in order to gain knowledge and understanding
<u>75</u>	Inspection of woodland sites for approval of felling licence applications and of timber imports/imports using timber packing to prevent entry of foreign tree pests and diseases
<u>76</u>	Probation Services delivered under the Criminal Justice and Court Services Act 2000

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1. Accounting, invoicing and related services

This heading concerns the outsourcing of all, or part, of an accounts department although it also covers the procurement of the type of services which would have been undertaken by an accounts department. The exclusions are functions which either had to be procured from external accountants or have since evolved as services supplied by external accountants.

Includes:

- Accountancy services which include general record keeping, invoicing and preparation of tax returns and other related supplies
- Preparation of financial accounts and/or statements and accountancy advice.

Excludes:

- External Audit fees as, by their very nature, they cannot be performed in-house
- Hire of accountants/advisors to carry out tax health checks/post period reviews

Exclusions specific to GDs:

- 'Use of Tax Advisors' – GDs should refer to the Treasury's view of the use of Tax Advisors which is explained in the Managing Public Money part of the HMT website; www.hm-treasury.gov.uk. The view is expressed in section 4.2.4 of the HMT guidance.
- Internal audit reports - these deal with efficiency and any VAT incurred can be recovered under heading 52. Recovery is allowed as GDs have never been allowed to do their own auditing it has to be done by another body - now the National Audit Office.

Exclusions specific to NHS:

- VAT incurred on a value for money audit where this is carried out as a result of a statutory requirement

2. Administration of the following

Includes:

- Career development loans
- Certificates of Experience
- Government support payments to the Railway Industry Pensions funds
- Grants and awards
- Services supplied under the Companies Acts and the Patents and Trademark Acts
- Teacher's Superannuation Scheme
- Vehicle Excise Duty refunds
- Winter fuel payment scheme
- Inherited State Earnings Related Pension Scheme
- Student Loan Scheme
- Fast Track Teaching Programme

Additional information:

This heading can only be used to recover costs which relate to the named programmes. New programmes can only be added to the list by agreement with HM Treasury.

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3. Administration and collection of toll charges

The use of the private sector to manage a public sector tolled road or bridge.

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4. Aerial photographic surveys and aerial surveillance

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5. Agricultural services of the kind normally carried out by DEFRA

The wording of this heading was amended in 2008 when the Farming and Rural conservation Agency was abolished under a machinery of Government change.

The heading can be used by the departments of the devolved administrations which have assumed responsibility for such activities from DEFRA.

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6. Alteration, repair and maintenance of road schemes, except (a) any works carried out pursuant to an agreement under section 278 of the Highways Act 1980 or (b) works involving construction on land not already used for road schemes

Section 278 Agreements

Section 278 of the Highways Act 1980 allows a Highways Authority (HA) to seek contributions from developers towards the cost of works considered to be for the “common good”. For example, these works could include the construction of a new slip road or roundabout.

Any work carried out by a HA under a section 278 agreement is a non-business activity for VAT purposes. This is because the HA has a statutory responsibility under the Highways Act 1980, to maintain the road on which the work is carried out. As such, the construction works form part of the HA’s statutory responsibilities for maintaining the road.

As the HA is not able to claim a refund of the VAT under section 41(3) of the VAT Act 1994, it is a condition of the Section 278 agreement that the contributions they receive include irrecoverable VAT.

The HA cannot issue a VAT invoice to the bodies making contributions because it is seeking a reimbursement of costs and not making a supply.

The contributor will be unable to recover any VAT element included in the contribution they pay to the HA. This is because the VAT amount does not relate to a supply, which has been made to you. The contractor carrying out the works will always be making a supply to the HA.

Hybrid Road Schemes

“Hybrid Road Schemes” are works comprised of new construction together with improvements to the existing road schemes.

As the hybrid schemes involve two types of work, new construction and alteration, the costs must be separately identified for VAT purposes. This is because some of the VAT incurred on new construction undertaken in the hybrid scheme cannot be recovered.

It can sometimes prove very difficult to separate the actual expenditure on new construction from that on alteration etc. HMRC allows an apportionment of costs to be made based on the terms of the additional contract.

In cases where it is not possible to directly attribute VAT elements, apportionment may be allowed. Hybrid road schemes are an example of a situation where permission to apportion the VAT has been granted.

Additional information – NHS:

The type of situation would be where an NHS body alters the layout of existing roads surrounding a hospital in order to facilitate easier and/or safer access to the accident and emergency department. It would also extend to the repair and maintenance of such a road scheme.

7. Broadcast Monitoring Services

Includes:

- Recording news and TV programmes which are relevant to the work of a government department.
- Recording radio programmes
- Providing a digest of a departments coverage in the broadcast media

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8. Cartographic Services

Includes:

- Mapping services
- Topographical surveys
- Preparation of bespoke maps

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9. Cash in transit services

Example:

The secure transport of monies (including wage packeting case deliveries)

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10. Catering

Either the use of a private sector operator to run a department's or NHS body's catering function, or the use of a catering contractor to run individual events.

Includes:

- Food prepared and facilities supplied by a contract catering service.
- Hire of agency catering staff and domestic staff relating to catering.
- Catering services for official functions.
- Services associated with catering for official functions which form part of the supply of catering e.g. catering staff to serve food and drink, serving alcoholic beverages, hire of additional equipment (mobile kitchens, etc) to supplement the on-site facilities

Example of inclusion - GDs:

- Catering services for official functions e.g. receptions, dinners and banquets. These events can either take place inside government buildings or be held at external venues such as museums, galleries, Banqueting House, Lancaster House etc.

Example of inclusion -NHS:

- Supplies of catering where the catering is provided in connection with the non-business activities of the NHS. For example, VAT incurred on catering services bought-in to provide catering for NHS patients in the course of care.

Excludes:

- Purchases of food or drinks alone.
- Sandwich/food delivery services.

Example of exclusion – NHS:

- Catering services bought-in for the purpose of a taxable business activity e.g. the operation of a hospital canteen where staff, visitors etc are charged for their meals and drinks, any VAT incurred will not be refundable under these provisions, but may be reclaimed as input tax under the normal VAT rules. Where catering services are bought in for the purpose of a VAT exempt business activity (e.g. Provision of private (non-NHS) healthcare) VAT incurred is exempt input tax and is unlikely to be recoverable.

11. Ceremonial services

Includes:

- Erecting seating and stands for dignitaries and the general public.
- Putting up flags and bunting.
- Hire of portable toilet facilities.
- Putting up and dismantling crowd control barriers.
- Hire of PA systems
- Laying the “red carpet”

Example of inclusion – NHS

- You can claim a VAT refund if you were to open a new hospital or a new wing in a hospital, or if a hospital were to be visited by important guests (e.g. members of the royal family)

Excludes:

Recovery on goods, for example the purchase of

- flags,
- flowers
- red carpet
- food or drink for hospitality purposes
- fireworks that are to be used in a display

12. Childcare services

Includes:

- Recovery of VAT incurred on the provision of crèche facilities or holiday play schemes operated by GDs or the NHS for the benefit of their own employees. This includes VAT charged by a private body with which GDs/NHS contract with to provide these services.

Excludes:

- The heading excludes crèche facilities provided by a nursery /play group registered under the Children's Act 1989 – as these supplies are exempt from VAT.

Additional Information:

The provision of crèche facilities is normally exempt from VAT therefore before making a claim under this heading you should check the invoice to see whether or not VAT has been charged.

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13. Collection, delivery and distribution services

Includes:

- Services provided by couriers, Rail Freight, Federal Express, UPS etc. The VAT incurred on would be refundable under the Contracted-Out provisions, regardless of the nature of the item(s) being collected, delivered, stored or distributed.
- Where you make an arrangement for goods to be delivered, the carriage may be treated as a Contracted-Out service.

Example of inclusion

- Courier services used for the delivery of specimens, materials, papers etc

Excludes:

- Some services provided by Royal Mail are exempt from VAT so there will be no VAT to recover.
- Where you make an arrangement for goods to be delivered and you have no option but to pay a delivery charge, this is considered to be part of the supply of the goods and not a separate supply. In this case the VAT would not be eligible for a refund.

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14. Computer services supplied to the specification of the recipient

The origins of this heading lie in the outsourcing of entire IT systems by central government to the private sector. For this reason, the heading does not cover in isolation the procurement of software or web design.

Because of the fast pace of technology, this heading is not intended to be restricted to past practices; instead it should be read in a purposive manner so as not to preclude modern methods of supplying an entire IT system. What is important is that the department or NHS trust is procuring an IT system designed to its specifications (or to wider government or NHS specifications). Whether ownership of the hardware is or is not in the public sector, whether there is one supplier or several suppliers, whether the servers are or are not remote, does not affect this basic position.

Provided that the supply received is an IT system designed to the users specifications, this heading applies even though some components of the package would – if supplied in isolation – be excluded from the heading. The only exception is telephony, which is always excluded.

Includes:

- the provision by one or more suppliers of a fully managed and serviced computer infrastructure either using the recipients' own hardware or hardware provided by the supplier as part of the infrastructure; and
- the development, delivery and support of bespoke software.

Excludes:

- supply and support of off-the-shelf software ;
- hire of hardware alone;
- line rental alone;
- telephony; and
- hire of computer consultants to add expertise to in-house IT teams.

Additional information

Previously the scope of the heading reflected the PFI type procurements common in IT where the infrastructure had to be provided by a single provider on hardware owned by the provider. Treasury have recognised that the use of single providers is no longer viewed as always giving the best service and that for security and continuity reasons departments may wish to retain ownership of the hardware (even though under a PFI arrangement this decreases the transfer of risk from the department).

This heading allows VAT recovery on computer services supplied to the specification of the NHS body, including the provision of a fully managed and serviced computer system.

Refunds of VAT may be claimed on the purchase of bespoke software. Bespoke software is software that has been designed from scratch. It excludes software licenses; software packages designed for general use in the NHS; ready made off the shelf software packages; and packages that have been specially designed for somebody else.

Sometimes an all inclusive charge is made for the supply of computer services including services on which, if supplied separately, VAT would be eligible for refund (e.g. Software maintenance, professional services such as computer consultancy work, including contract software development, which could include modification and adaptation to existing software packages). You may extract that part of the cost and claim the VAT incurred under the Contracted Out Services provisions only when eligible services are represented by an agreement separately ordered, negotiated and contracted.

VAT is not recoverable on the hire/purchase/ installation of computers or equipment on their own. VAT incurred on the hire of land lines used to link up computers is eligible for refund only in instances where private wires link computers in different locations. VAT is not refundable when incurred on telephone calls or telephone line rental, pager rentals; car radio systems; connection charges; management and/or maintenance of provider's lines.

A 'Fully managed and serviced computer infrastructure'

It's necessary to consider a computer initiative in its entirety. Seek to ensure that where there is more than one supplier involved the range of services across the contracts **dovetail** together. That's to say it is evident the contracts provide for a fully managed and serviced computer infrastructure.

VAT costs incurred on a supply of goods are not refundable under COS. However VAT costs can be refunded where a contract includes a supply of goods which is integral to a contracted out supply of services.

Contracts should not be artificially split to isolate items that are not refundable under COS 14. This applies equally where non-refundable items are identifiable on a Schedule of Works for example.

'Stand-alone' contracts should be judged **on their own merits**. Variations to existing IT initiatives may be considered to be part of an overall IT initiative.

Additional points to consider:

- 'Fully', should not be taken to mean a singular. A single IT initiative may be formed with reference to many 'mini' IT initiatives that make up the whole. Focus instead on the term "managed and serviced infrastructure".
- Where more than one supplier is involved ask yourself whether the range of services being provided across the contracts **dovetail** together. Thereby forming a fully managed and serviced computer infrastructure. If so, VAT costs can be refunded under COS 14.
- If more than one supplier is involved and the range of services provided across the contracts **do not dovetail** together you will need to consider each supplier contract on its own merits.
- Ask yourself whether the recipient is receiving a **package** of services which are **supplied and controlled** by the supplier and where all the **risk** of running the system and operating the service efficiently rests with the supplier. If this can be demonstrated VAT costs can be refunded under COS 14.
- Ask yourself whether non-refundable supplies (e.g. goods such as Ethernet cables) are **integral** to the supply (e.g. managed and serviced internet services). If so, the VAT costs can be refunded under COS 14.

Bespoke Software

Within the context of COS 14 we typically take 'bespoke software' to mean:

- the creation of a new software package. This can include research and development, design services and consultancy services. It may also include aftercare such as updates and helpdesk facilities; or
- a pre-existing package of software which requires **substantial** modification to meet the needs of the recipient.

There will be cases where bespoke software proves successful and is marketed to other recipients. Typically the software will still require significant modifications to meet the needs of the recipient before the software can be used. As such we do not consider the software to be 'off the shelf' and VAT costs may be refunded under COS 14.

'Off the shelf' software is taken to mean stock software such as "Microsoft Office" packages, Sage accounting software, etc. These require very minor adjustments during set up.

It's unlikely recipients will purchase off the shelf software in isolation. Typically this type of universal software is provided as part of a large IT contract and is be **integral** to the overall supply of a fully managed and serviced computer system.

Additional points to consider:

- Ask yourself whether a pre-existing package of software requires **substantial** modification to meet the needs of the recipient. If so, the VAT costs may be refunded under COS 14.
- Establish how **substantial** the modification / adaptation are with reference to the contracts. Anything considered significant modification will qualify.

Cloud Computer Services

Cloud Computing Services ('Cloud') is a web-based platform by which IT services are delivered. One of the key features of Cloud is that IT infrastructure is based in an unrestricted location or place. It allows recipients to access IT services; including infrastructures, applications and business processes via the internet.

The Government's G-Cloud initiative is driving GDs to adopt use the Cloud. This is because the technology has the advantage of being flexible, cost efficient and allows sharing of services between GDs.

It is our view that VAT costs are refundable under COS 14 where:

- (i) a fully managed computer infrastructure using web-based or internet platforms are provided and
- (ii) the IT infrastructures are designed to the specification of the recipient (e.g. GD/NHS) and
- (iii) use of the infrastructure is for non-business activity.

VAT costs for off the shelf internet 'Cloud' IT infrastructures can not be refunded under COS 14 because they are not designed to the specification of recipients.

Ethernet Cable / Data Lines

VAT costs on data lines e.g. internet circuits, Ethernet etc is refundable under COS 14 when supplied as part of a fully managed and serviced computer infrastructure. In all other cases VAT costs are not refundable under COS 14.

Licence Fees

It's important to be aware that software charges may be referred to generically as 'licence fees' but may include payments for other services provided by the supplier.

The term 'licence fee' is commonly used to refer to charges for allowing an agreed number of users access to a software package. Licence fees are refundable under COS 14 when integral to the provision of a fully managed and serviced computer infrastructure. In all other cases a refund under COS 14 is not possible.

Picture Archiving Communication System (PACS)

VAT costs for PACS are generally considered by us to be supplied as a fully managed and serviced computer infrastructure and refundable under COS 14. Each contract must however be judged on its own merits.

In the NHS the PACS system allows images from X-rays, MRI scans and Ultrasound equipment etc to be held and transferred digitally. This removes the need for hard copy data and allows medical personnel to access the images immediately wherever they are in the hospital complex.

Software Support

If software support relates to the use of bespoke software the VAT costs may be refunded under COS 14.

If software support forms part of a fully managed and serviced computer infrastructure the VAT costs may be refunded under COS 14.

If the software support relates to off-the-shelf software VAT is not refundable under COS 14.

Telephony Services

VAT costs for Telephony alone and line rental alone are not refundable under COS 14.

VAT costs for Telephony and line rental supplied as integral to a fully managed and serviced computer infrastructure are refundable under COS 14.

VAT costs for Voice Over Internet Protocol (VOIP) are not refundable under COS 14 in either circumstance. Government Departments and the NHS are welcome to make a case to allow VAT costs to be refundable where VOIP is supplied as integral to a fully managed and serviced computer infrastructure. HMRC and HMT will consider the representation.

15. Conference and exhibition services

Includes:

- A composite facility which could include supplies of staff, hire of venue, equipment, hotel accommodation, catering etc. The keyword is 'services' - to qualify for recovery GDs/NHS must be receiving more than a supply of accommodation and catering and the services must be in connection with their non-business activities.
- GD/NHS staff running a conference themselves and contracting out the venue, equipment and perhaps catering. Conference means a planned large scale organized event usually at which external delegates would attend.

Excludes:

- The hire of venues alone
- The hire of hotel accommodation on its own.
- VAT incurred when a civil servant/NHS Delegate stays in a hotel room and receives a supply of hotel accommodation on its own. This charge may sometimes be referred to as "conference" or "delegate" rates.
- Meetings held in hotels, solely for inter-departmental sections

Additional information:

If an NHS body intends to charge delegates who are outside their own division then the services may be being received in the course of business and VAT incurred will need to be considered as to whether it is recoverable as input tax or not recoverable as exempt input tax.

16. Debt Collection

Includes the provision of services by a professional debt collection agency.

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17. Departmental staff records and payroll systems including administration and payment of pensions

Includes:

- Where you employ the services of an outside contractor to deal with departmental personnel services, staff records and payroll systems

Excludes:

- The Administration of child care vouchers.
- Following the CJEU judgement in Astra Zeneca (C-40/09) benefits by way of salary sacrifice are treated as business and COS doesn't apply. Further information can be found in Revenue & Customs Briefs [28/11](#) and [36/11](#).

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18. Employment advisory services as directed by the Race Relations Act 1976

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19. Engineering and related process services

This heading has a deliberately narrow application. Its focus is upon the engineering of the 1980s (principally mechanical) rather than modern computer engineering, which is not covered.

Includes:

- Recovery on manufacturing and the related commissioning processes.

Excludes:

- Installation of plant

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20. Environmental protection services of the kind normally carried out for the Department of the Environment, Food and Rural Affairs

VAT recovery is allowed on contracted out services which contribute to protection from floods, coastal erosion, disease prevention precautions.

The heading can be used by the departments of devolved administrations which have assumed responsibility for such activities from DEFRA.

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21. Estate management services

Covers property where a GD/NHS holds either the leasehold or the freehold.

Applies when a contractor manages and runs a building for you (the building does not necessarily have to be occupied). For example, when an estate agent is responsible for arranging the payment of rents and other charges. May include utilities charges that are included as part of the unitary charges.

Example of inclusion - NHS

- Using a private firm to manage your hospital complex. The supplier's services would probably include dealing with any repairs and maintenance, arranging cleaning etc. The estate management company will usually charge a monthly fee for such services. The VAT charged would be refundable under these provisions to the extent that it relates to the non-business activity of providing NHS health care.

Example of exclusions - NHS

- If the hospital complex included shops, a restaurant and a private hospital ward, for example, which are deemed to be business activities; then the VAT incurred would need to be apportioned accordingly to fairly reflect the non-business use of the estate management services. Any VAT relating to business activities may be reclaimed as input tax, subject to the normal VAT rules, but only to the extent that it relates to taxable business activities.
- Using the above example, a proportion of the VAT incurred would not be recoverable either under these provisions or as input tax, as it relates to the exempt business activity of private health care.

22. Export intelligence services

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23. Filming, audio-visual and production services

Includes:

- Commissioning a company to make in-house training films.
- Filming briefings meetings or conferences.

Excludes:

- If pupils were charged a fee for attending, the VAT would not be reclaimable as it would be a purchase made in connection with an exempt business activity.

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24. Health Promotion activities

Includes:

- Stress awareness campaigns
- Giving up smoking campaigns.

Example of inclusion – NHS:

- Where the NHS body commissions an external provider to deliver a health promotion campaign.

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25. Hire of reprographic equipment including repair and maintenance.

Allows recovery on hire or rental of reprographic equipment but only where the hire or rental agreement/contract provides for repairs and maintenance. The hire of reprographic equipment where there is no element of repairs and maintenance would not be eligible for VAT recovery. The provider retains ownership and responsibility for them.

Excludes:

- Hire of Fax machines, as these are not reprographic equipment.
- Multi-purpose equipment which serve as printers, photocopiers and fax machines.
- Consumable goods such as toner and copier paper.

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26. Hire of vehicles, including repair and maintenance

The key to this heading lies in the words 'including repair and maintenance'. The service received is not just the leasing or hire of vehicles, but that of a fully serviced and maintained vehicle.

Allows recovery on USE ONLY of hire vehicles. The provider retains ownership and responsibility for the vehicles. Applies only where the GD/NHS places a contract with a trader to supply vehicles AND provide repair and maintenance. The supplier MUST carry out the repair and maintenance.

Includes:

- Pool cars

Excludes:

- Hire of vehicles alone
- Arrangements where the GD/NHS carries out the repair work itself, or contract this out to another body
- Short term car hire

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7. Insolvency services

The costs of Insolvency Practitioners may be recovered under this heading only if it can be demonstrated that they are working under contract to a GD and that their services are being provided to the GD. In many cases Insolvency practitioners are seen as providing their services to the business under their supervision and any VAT charge is proper to that entity.

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28. Interpretation and translation services

This includes simultaneous interpretation services provided in person at events or meetings or via telephone. Translation of documents.

Example of inclusion – NHS:

- If an interpreter were needed during the course of treating a non-English speaking NHS patient.

Additional information:

Before you reclaim any VAT you should ensure, by checking the suppliers invoice that VAT has been charged. Few translators or interpreters have reached the VAT registration threshold and may, therefore, not be required to register for VAT. You must not simply assume that there is a VAT element included in the charge.

DRAFT

29. Issue of documents to, and control of bingo halls and off-course bookmakers

DRAFT

30. Issue of Documents under the Wireless Telegraphy Act

DRAFT

31. Laboratory services

Includes:

- Drug testing
- Forensic testing
- Provision, by an outside contractor, of laboratory services

Excludes:

- The provision of laboratory consumables – reagents, chemicals, test tubes

Additional information:

The supply of laboratory pathology services that directly relate to the provision of healthcare for individual patients is exempt from VAT and thus there is no VAT to recover. This applies to all businesses that are state-regulated and supply laboratory pathology testing services, whether they supply the services to the NHS or to independent hospitals.

DRAFT

32. Laundry Services

Includes:

- towel hire and cleaning and laundering of towels
- the provision of linen, which is exchanged on a regular basis for laundering, but remains the property of the company providing the service
- cleaning and laundering of uniforms and fabrics
- dry cleaning services

Example of inclusion - NHS

- The cleaning or redressing of wigs by external contractors (for example, for cancer units) would also be eligible for a refund under this heading.

Excludes

- The purchase of clothing, linen and fabrics, however, constitutes a supply of goods and as such the VAT incurred cannot be recovered.

DRAFT

33. Library services

Includes:

- Use of external libraries such University libraries or independent academic libraries.

Example of inclusions – NHS:

- Where you are charged VAT for the use of external libraries such as University or independent academic libraries and it is in respect of the non-business activities of the NHS, then the VAT will be eligible for a refund under this heading.

Excludes:

- subscriptions to publications
- subscriptions to electronic journals
- subscriptions to websites

DRAFT

34. Maintenance and care of livestock and fauna in connection with the Royal Parks

Includes:

- Veterinary costs
- Tree surgeons' services
- Vaccination programmes

DRAFT

35. Maintenance, non-structural repair and cleaning of buildings

The key to this heading is that it does not cover structural work such as the alteration of a building or the construction of an extension. In the case of GDs, it is acceptable to refer to government accounting principles to determine whether work is or is not structural. However, this is not the only methodology and what is important is the exclusion of structural work.

Covers property where a GD /NHS either the leasehold or the freehold.

Includes:

- For GDs non-structural repairs funded from running costs
- Window Cleaning
- Contract cleaning
- Re-painting existing external structure.
- Maintenance of grounds and gardens adjacent buildings.
- Repair of existing suspended ceilings
- Repainting/redecoration
- Replacing worn flooring with the same type of covering: i.e. replacing carpet with carpet, linoleum with linoleum
- Repairing what already exists

Excludes:

- For GDs non-structural repairs funded from capital expenditure
- Conversions e.g. converting an office space from small offices to open plan or vice versa
- Installation of goods e.g. installation of a suspended ceilings - as this alters the dimensions of the existing structure
- Extensions/structural alterations
- Widening doorways
- Supply of goods e.g. cleaning materials or equipment
- Upgrading worn floor covering - i.e. replacing linoleum with carpet, or replacing carpet with wood flooring etc
- Repair by replacement

Additional information for the NHS

Construction projects below £5000

HMRC have agreed with the Department of Health that construction works costing under £5000 (excluding VAT) may be treated, as repairs and maintenance and the VAT element are refundable under the Contracted-Out provisions.

The Department of Health Circular EL (90) P64 defines such work as "individual works schemes for the initial provision, extension improvement or adaptation (including upgrading), renewal, replacement or demolition of buildings, building elements (e.g. roofs), external works, engineering services or plant".

Each project must, however, be complete and self-contained. A large project cannot be split into individual elements to bring the cost down, per element, to below £5000. It will only apply where the project is undertaken in its own right and not as part of a larger project.

Capital Building Projects

By Capital building projects we mean those projects that involve building and construction works which will normally take weeks/months or even years to complete. These projects will often include costs for works that are either eligible or ineligible for VAT recovery.

Capital building projects are dealt with under the COS rules; however VAT is only recoverable on the repair & maintenance costs not replacement. On projects where there are alterations, extension, modification there would be little scope for recovery as this ceases to be repair and maintenance.

On new builds, only professional services may be recovered where the supply is outside of the main contract and is to the NHS body direct.

Example:

- Where you are having an extension built, and you are knocking through from existing building, there would be little scope to recover VAT on making good damaged walls/plaster as this would be considered disturbance works. But if you were taking advantage of repairing e.g. wires, plumbing on the existing building at the same time, this would be recoverable.

How to calculate VAT recovery

There are two ways in which NHS bodies can determine the correct VAT recovery on capital building projects. They can either go through the relevant documents in their possession such as bills of quantity/ schedules of work etc on a '**line by line basis**' determining which works are eligible for VAT recovery and then recover these costs subject to the normal VAT rules or NHS bodies can use the '**banding scheme**' which involves simply determining what type of project is being undertaken and recovering that % applicable to the project invoices/ interim certificates see below.

Recovery of VAT using the 'banding scheme'

To further reduce the burden of the tax, NHS bodies have the option to determine very simply the element of VAT recoverable on contracted out services on those capital building projects of a total cost of up to £15,000,000. Having decided the type of project involved from the following list, the recovery rate shown is applied to the invoiced VAT incurred on the project for inclusion on the monthly VAT 100 and accompanying VAT21.

Type of Project	Definition	Proportion of VAT recoverable
New build	Complete new construction from scratch or making use of the foundations of an existing building, where the whole of the former building has been demolished to ground level.	0%
Extensions	Where a building is enlarged or extended and that enlargement or extension creates new space.	5%
Major Alterations	Works to an existing building where major work has taken place to the fabric of the original building including the replacing of much of the internal/external configuration.	20%
Minor Alterations	Work to an existing building where the alterations are incidental to and have occurred as a result of repair/maintenance work.	40%
Refurbishment /Repair and maintenance	This is general upkeep to and refurbishment of existing buildings where the works do not result in any alteration or additions.	75%

These bandings apply only to actual construction works. Subject to the normal rules, NHS bodies may continue to recover VAT incurred on supplies received directly of professional services (e.g. architects).

DRAFT

36. Maintenance and repair of civil engineering works

Includes:

- Repairs to existing bridges,
- Repairs and maintenance to existing drains

Excludes:

- Repair and maintenance of road schemes. This work falls under COS 6
- New civil engineering projects
- Supplies carried out under s278 agreements (refer to Sheet 3)

DRAFT

37. Maintenance, repair and cleaning of equipment, plant, vehicles and vessels

This heading allows recovery on repair and maintenance costs as follows:

Includes:

- equipment, plant, vehicles and vessels owned by a department/NHS body
- equipment, plant, vehicles and vessels which are leased. This is provided that the repair and maintenance work is supplied under a separate contract or agreement from the lease of the equipment, plant, vehicles or vessels. It does not have to be made by a different supplier
- spare parts which are provided as part of the eligible repair and maintenance services
- Repairs to existing lifts

Excludes:

- the lease arrangement itself
- Installation of new lifts
- Complete replacement of central heating and air conditioning systems

Additional information:

VAT incurred on the leasing or hire of equipment, plant, vehicles and vessels is NOT recoverable. The only exceptions to this are headings 25 'Hire of reprographic equipment including repair and maintenance' and 26 'Hire of vehicles, including repair and maintenance'. In both these cases the VAT is only recoverable on contracts for the supply of the equipment / vehicles together with full repair and maintenance services.

38. Maintenance and repair of statues monuments and works of art

Includes:

- Cleaning
- Restoration costs
- Removal & re-location costs.

Excludes:

- Expenses relating to the design and installation of new monuments.

DRAFT

39. Medical and social surveys

This heading is specifically designed to allow recovery on surveys which were previously carried out "in house" which are now outsourced to private sector providers and where the results are to be used for non-business activity. This type of survey is most typically conducted amongst other public bodies such as local authorities, police authorities, charities etc and the information gleaned is used to inform future planning and policies. This would also include information supplied by a private company from general surveys that have already been carried out.

Other types of survey may also be eligible for recovery but the key criteria is to demonstrate that they:

- are medical or social in nature and,
- would have previously been undertaken in house

Excludes:

- MORI Polls as these have always been undertaken by independent external bodies to conduct opinion polls

DRAFT

40. Messenger, portering and reception services

Includes

- Collection and distribution of internal mail by a private company

Examples of inclusions- NHS

- Portering services such as the movement of patients and equipment around hospitals.
- Movement of corpses by funeral directors to or from the hospital site

Excludes:

- The hire of telephone equipment /telephone lines or switchboard equipment alone.
- Hire of agency staff to supplement in-house services during peak times or to cover leave

DRAFT

41. Nursing services

This heading was intended to cover those nursing services which are not exempt from VAT. Over time it has been accepted that the heading can be extended to the hiring of agency nurses where VAT is chargeable. Because the heading is confined to nursing services, it does not cover the hiring in of other medical professionals.

Example of inclusions – NHS:

- Where you are charged VAT on the provision of nursing services or agency nursing staff, whether on an agency commission basis or otherwise, the VAT would be reclaimable under this heading. You should not, however, assume that there is a VAT element included in the charge made to you, as the supply may be exempt from VAT. You should check the suppliers invoice carefully first to ensure that VAT has, in fact, been charged

Excludes:

- other types of medical professionals such as doctors, locums.

DRAFT

42. Office removals

Includes:

- Office relocation contractors
- Provision of removal services
- Crate hire when part of a removal contract
- Contractors moving office accommodation. i.e. from one floor to another

Excludes:

- Crate hire alone

DRAFT

43. Operation and maintenance of static test facilities, engineering and support services and test range industrial support and security/safety services including those acquired for the purposes of research and development

DRAFT

44. Operation and maintenance of stores depots.

Includes

- Monitoring stock levels.
- Dealing with requisition requests.

Example of inclusions – NHS:

- If you employ an external operator to operate and maintain your stores depot the VAT charged would be reclaimable under this heading. An example of this would be if you contracted out the running of your stocks of items and equipment required in the day-to-day provision of health care (e.g. dressings, medicines, lotions, stationery etc). You should note that this heading applies to the charge made for operating and maintaining such a service and not for the supply of the goods being stored

DRAFT

45. Operation of hospitals, health care establishments and health care facilities and the provision of any related services

This heading is concerned with the provision of a fully operational and managed hospital or healthcare facility, where most services short of medical and nursing services are supplied to the NHS by the provider. It is not necessarily relevant whether the ultimate ownership of the building or facility is with the contractor or with the NHS. The origins of this heading lie in the conventional 1980s/1990s PFI contract where the contractor constructed a hospital and provided full FM and support services, leaving the NHS to provide patient care. Over time this type of arrangement has changed, sometimes with fewer services supplied by the contractor (or in the case of hard-PFI, virtually no services supplied by the contractor) and sometimes with a facility that is contained within an existing hospital. A fully managed radiology department may be a healthcare facility in its own right.

Includes:

- the ancillary provision of equipment together with the service of operating and maintaining that equipment,
- utilities when provided as a part of the whole package and paid for within the single unitary charge.

Excludes

- Hire of medical equipment alone.

Additional notes:

Covers the provision of PFI, PF2, Scottish Hub Procurement Arrangements, LIFT and non-PFI (or LIFT) hospitals and healthcare establishments and healthcare facilities.

For these arrangements you should be looking first to see if it is a PFI arrangement and for the non-PFIs establish if there are sufficient services to facilitate the operation of a hospital, healthcare establishment or healthcare facility. When assessing the level of services provided with the building, it is important to consider the actual use of that building and that the services provided are consistent with that usage

Situation.	VAT treatment.
<p>PFI or LIFT arrangements.</p> <p>Services element irrelevant – can be “hard” PFI, similar to ‘bare’ lease</p>	VAT recoverable under the COS heading 45 rules.
<p>Non-PFI or LIFT hospitals and healthcare establishments and healthcare facilities.</p> <p>Minimal or no services.</p>	No VAT recoverable under COS heading 45. If the services are supplied separately from the lease and are separately contracted for then the service elements may themselves be recoverable if they fall under any of the COS headings.
<p>Non-PFI or LIFT hospitals and healthcare establishments and healthcare facilities.</p> <p>Full package of services necessary for the operation of that hospital etc. - for example estate management, reception, porterage, cleaning, laundry, catering, security, equipment maintenance, technicians.</p>	VAT recoverable under COS heading 45.

Provision of a fully operational and managed hospital or health care facility

The first step in considering whether a supply falls within heading 45 is to confirm that a fully operational and managed healthcare facility is being provided.

In cases where a hospital or healthcare facility is constructed and provided under the terms of a PFI (or similar) agreement, then this condition is clearly met and VAT is recoverable under this heading.

Where, for example the NHS receives a supply of an MRI scanner or similar medical equipment and the staff/labour providing expertise, this is eligible for recovery under this heading.

The ancillary provision of equipment together with the service of operating and maintaining that equipment

Typical examples include:

- Heating, cooling and ventilation equipment
- Equipment concerned with the primary supply of power, the heating of water
- Fire protection and specialised lighting
- Nurse call systems
- Medical gas supply piping

An NHS body may purchase a package of equipment (medical and non-medical), furnishings and goods for the new facility. The package is then sold on to the provider, who then charges the cost back to the NHS body within the monthly unitary charge. This cost is not recoverable under COS since it is a straightforward supply of goods, and the criteria of operating and maintaining the equipment is not met.

Equally, the hire of beds or medical equipment alone will not qualify.

Utilities

Recovery under this heading is only allowed on utilities when provided as part of the supply of the healthcare facility, and where the cost is subsumed within the single unitary charge. This is seen as a necessary incidental cost of providing a fully operational facility.

Utilities provided outside of the unitary charge will not qualify for relief under this heading.

DRAFT

46. Operation of prisons, detention centres and remand centres, including medical services

Includes

- Operation of prison shops
- Prisoner transport.
- Operation of prison hospitals

Excludes:

- Hostel accommodation

DRAFT

47. Passenger transport services

Includes

- Taxi firms that supply taxis to staff on request provided the GD has entered into a contract with the firm and receives a tax invoice. E.g. late night car services
- Chauffeur driven cars
- Services of an outside contractor to transport passengers/patients

Example of inclusion – NHS:

- Where a hospital hires or leases a vehicle with a driver for transporting in-patients, outpatients, hospital staff or other individuals (e.g private specialists/consultants), providing it is in connection with the non-business activity of the provision of NHS health care.

Excludes:

- Public transport costs – (these are already zero-rated).
- Road tax
- Passenger insurance.
- Staff members hailing cabs in the street or picking up a taxi from a taxi rank.

Example of exclusion – NHS:

- Passenger transport services used for the transport of private patients or for a consultant providing health care to a private patient would not be eligible for a refund as it would be in connection with an exempt business activity and the normal VAT rules would apply.

Additional information

The hire or lease of a vehicle without a driver would not be included under this heading, but may be eligible for a refund under the heading 26 "Hire of vehicles including repair and maintenance".

48. Pest control services

Includes:

- setting of traps
- spraying insecticide
- laying down poison
- removal of dead rodents

Excludes:

- the purchases of poisons/traps designed for pest control

DRAFT

49. Photographic, reprographic, graphic and design services

Includes:

- Hire of a photographer
- Design & printing of annual reports.
- Bulk copying services
- Initial design of a website

Excludes

- Purchase of photocopiers etc.
- Printing of business cards and headed stationary.
- Printing of office signage

DRAFT

50. Preparation and despatch of forms

Includes

- design printing and mailing of forms providing these services are provided within a single contract.

DRAFT

51. Press cutting services

Example of inclusion – NHS:

If you use an outside contractor to provide you with a press cutting service, for example to supply you with copies of all articles in the national and/or local press of particular relevance to NHS health care, then the VAT incurred on this service would be refundable under this heading.

DRAFT

52. Professional Advice or opinion on departmental efficiency or policy issues, legal advice or opinion and internal audit.

This heading is currently under review with HM Treasury. GD's and NHS bodies should continue to use the guidance detailed below until further details are provided by HMRC.

Government Departments

The wording of this heading has been changed with Treasury agreement from "Professional services, including those of any manager, adviser, expert, specialist or consultant". The change in wording is designed to clarify the scope of recovery under the heading. The new wording reflects that heading 52 is essentially concerned with for the provision of advice or information on how to affect something.

The scope of this heading is much narrower than it may first appear. The heading only allows VAT recovery in respect of advice on how to do or improve departmental activities.

Includes:

- Internal audit reports
- Legal opinions from solicitors
- Hire of consultants to provide advice on efficiency issues or comment on the viability of new departmental initiatives.

Excludes:

- The hire of a consultant to work as part of the Department.
- Research - this is covered by headings 20,58,59,66 or 74.
- The service of actually putting something into effect, as opposed to merely advising on a matter. For example, this heading does not include the services of a doctor who advises AND then treats a patient. Similarly, The services of a professional who is brought in to advise on AND then implement a new initiative.
- Staff secondments - because this involved contracting in staff to work along side.
- Specialist staff hired to provide "holiday/ maternity cover" for key staff members.
- Hire of accountants to carry out tax health checks - Please refer to Section iv above.

Additional Information

HM Treasury wrote to Government Departments on the 14 April 2014 about Shared Service Arrangements and refunds under this heading for Non Criminal Legal Services

NHS bodies

VAT is recoverable on the professional services of managers, advisers, experts, specialists and consultants for advice or information on how to affect something. This does not include the affecting of that service themselves. In relation to building works and construction, the professional fees of architects and structural engineers are included, as is consultancy advice on planning site layouts and the services of solicitors, valuers and surveyors. VAT is eligible for a refund irrespective of whether the fees relate to repairs and maintenance or new construction or improvements or refurbishment etc.

This category is not restricted to professional fees in connection with construction work. It also covers professional fees such as those in connection with computer consultancy work, including contract software development.

DRAFT

53. Provision under a PFI agreement of accommodation, for office or other governmental use, together with management or other services in connection with that accommodation

This heading covers PFI arrangements under which GDs/NHS are supplied with fully serviced and managed accommodation by a single PFI provider. The most distinct element will be that risk is transferred from the GD/NHS to the PFI provider. Consequently, the heading does not include leases granted by commercial landlords, even where they are landlord repairing and insuring leases.

If the building is used for ...

Standard-rated business activities – Input Tax can be reclaimed under the normal VAT rules.

Exempt business activities – Input Tax cannot be recovered

Non-business activities*

- If building is occupied under a normal commercial lease the type of lease will invariably include, the landlord's obligation to maintain the building (for example, heat, light, utilities, cleaning, repairs and maintenance, and insurance); and, among the tenants' obligations, a covenant to pay rents and service charges– you cannot claim a refund under section 41(3.)
- If you occupy the building under a PFI arrangement - you may claim a refund of VAT under Heading 53 of the Treasury's (contracting out) direction.

* If you are unsure about the terms under which you occupy the building, please contact your department's procurement section. They will be able to advise whether your department is occupying the building under a normal commercial lease or has entered in to a Treasury approved PFI arrangement.

More than one type of use -The VAT must be apportioned between the business and non-business uses.

54. Publicity services

Includes:

- Advertising campaigns other than recruitment adverts (which are covered by heading 57)

Example of inclusion – NHS

- The use of a private publicity agency for dealing with the media on behalf of the NHS would be an example of the type of service falling within this category.

Excludes:

- Commissioning promotional items such as mugs, T-shirts, stickers etc. This is a supply of goods for VAT purposes and as such falls outside the scope of the Direction.
- Reclaiming VAT charged on the placement of individual advertisements in a newspaper.

Example of exclusion – NHS

- The direct placing of an advertisement by an NHS body is not recoverable.

DRAFT

55. Purchasing and procurement services

Includes:

- Negotiating procurement contracts
- Management and coordination of bulk orders

Example of inclusion – NHS:

- If you were to use a buying agent or private firm to carry out your purchasing, then any VAT incurred would be eligible for recovery under this heading

DRAFT

56. Radio services

Includes:

- radio broadcasting.
- radio bandwidth

Example of inclusion - NHS

This heading refers to the contracting out of radio services, such as the contracting out of services connected to the running of a hospital radio.

Excludes:

- Purchase of radios or radio equipment alone
- The supply of car radios or radio masts

DRAFT

57. Recruitment and relocation of staff and other related services

Includes:

- Security vetting checks undertaken on employees.
- Staff relocation expenses where the department commissions the removal company.
- Staff recruitment advertising commissioned via a recruitment agency.

Example of inclusion – NHS

- If you use an agency to arrange for the recruitment of staff, the VAT would be refundable under this heading. This would include services provided as part of a recruitment drive, for example if you were to open a new hospital or new department within a hospital, or for the recruitment of staff on an individual post-filling basis.
- You may incur VAT, which would be eligible for a refund under this category, if, for example, you were to open a new hospital or move to a new building and used a private company to deal with the relocation of the hospital staff.

Excludes:

- VAT incurred on removal firms hired by staff
- Placing recruitment adverts in a newspaper

Example of exclusion – NHS

- The direct placing of an advertisement by an NHS body is not recoverable.

Additional information

VAT incurred in respect of the recruitment of canteen staff, for example, would only be eligible for a refund under these provisions to the extent that it relates to the supply of catering for NHS in-patients as part of the provision of NHS Health care.

58. Research, testing, inspection, certification and approval work for the Health and Safety Executive

Devolved administrations discharging functions on behalf of the HSE may recover VAT on contracted out services under this heading.

DRAFT

59. Scientific work of the kind normally carried out for the Department of the Environment, Food and Rural Affairs and the Food Standards Agency

Includes:

- Testing contaminated food to identify strains of bacteria e.g.; Salmonella.
- Detection and verification of disease in animals - BSE.
- Detection and verification of plant disease e.g. Dutch Elm Disease
- Inspection of diseased animal carcasses

Additional information

This heading may be used by Departments in the devolved administrations if they have taken over responsibility for work undertaken by DEFRA or the Food Standards Agency.

DRAFT

60. Security services

Includes:

- The provision of security guards and staff security surveillance equipment (CCTV, surveillance cameras), security patrols and the secure transport of equipment.

Excludes:

- Purchase of security equipment only would not be eligible as this would be a supply of goods
- Security vetting.
- Hire of security staff to supplement in house security teams at busy times or to provide holiday cover.
- VAT incurred on the repair and maintenance of security equipment

Additional information:

VAT incurred on the repair and maintenance of security equipment would be recoverable under heading 37 "Maintenance and repair of plant, equipment and furniture, including surgical appliances and wheelchairs".

DRAFT

61. Services of printing, copying, reproducing or mailing of any documents or publications, including typesetting services

Includes:

- Post opening services
- Franking
- Labelling services including printing of bespoke forms, labels, cards, reports, letterheads etc (bespoke means from scratch designed specifically for the GD/NHS)
- Parcel X raying services
- Photocopying services supplied by outside firms
- Services of mailing agencies
- Printing services or reproduction of documents or publications
- Typesetting services

Example of inclusion - NHS

- Signs replaced as a result of NHS bodies merging would be recoverable, as would repairs to existing signs.

Excludes:

- Post box hire
- Shredding machines
- Franking machines

Additional information:

In the case of printing services, although the supply of the paper is a supply of goods, it is considered to be an intrinsic part of the service being provided (for example, it is impossible to receive the service of printed letterheads without the paper on which the letterhead is printed). The VAT would, therefore, be eligible for recovery on the total contract price, which will normally include that of typesetting, paper and the use of the printing or embossing machinery.

The initial supply of signs and names badges (also the complete replacement of) is not eligible for recovery, as they are seen as goods.

62. Share Registry Survey

DRAFT

63. Storage, distribution and goods disposal services

Includes:

- Records sent for archiving or destruction.
- Storage of detained or seized items
- Secure disposal of seized items
- Accommodation of seized or detained animals in zoos or boarding kennels
- Storage of employees' possessions when they are relocated.
- Incineration services
- Secure bulk shredding services.

DRAFT

64. Surveying, certification and registration in connection with ships and relevant record-keeping and verification, issue of certification cards, discharge books and campaign medals to seamen

DRAFT

65. Training, tuition or education

While there is no general restriction under this heading, you should note that education and vocational training is exempt from VAT (and thus there is no VAT to recover) if it is provided by one of the “eligible bodies” listed in Notice 701/30: “Education & Vocational Training”. In practice these are:

- a) Schools for the under-19s
- b) Universities
- c) Further and Higher Education Colleges
- d) Other public bodies
- e) Non-profit making bodies that reinvest surpluses of income back into the courses they provide.

If VAT is incurred on costs which relate to non-business training activities then it can be recovered under this heading. However if VAT is incurred on separate supplies of accommodation, meals and room hire then no refund is due under this heading.

DRAFT

66. Transport research of the kind normally carried out for the Department of Transport.

Departments in the devolved administrations which carry out functions delegated to them by the Department of Transport may recover VAT incurred on transport research under this heading.

DRAFT

67. Travel services, excluding hotel accommodation and fares

Includes:

- Travel arrangements provided by an external booking agency for which a fee is charged
- Charges for use of VIP lounges at airports and stations.

Excludes:

- Public transport fares as these are zero-rated.
- VAT paid by third parties in respect of taxis and hire cars. The recovery of VAT on hire cars and taxis depends on the arrangements with the provider and who is receiving the supplies, the GD or the individual.

DRAFT

68. Travel and transport surveys, including traffic census counts

DRAFT

69. Typing secretarial, telephonist and clerical services including agency staff

This heading has sometimes been misinterpreted. The words 'including agency staff' needs to be read in the context of the whole sentence, rather than in isolation.

This heading covers the outsourcing of typing, secretarial, telephonist and clerical service functions. It does not include the hire of typists, secretaries, administration staff and agency staff. The agency staff referred to in the heading are those of the company supplying typing, secretarial, telephonist and clerical services.

Includes:

- VAT incurred on supplies by agencies providing typing, secretarial, telephonist, word processing and clerical services using their own staff.
- Provision of typing services by a word processing bureau.

Excludes:

- Secondees
- Employee expenses
- Hire of telephones, telephone lines, switchboard equipment etc

Additional information:

If agency staff are utilised because of difficulties in recruiting staff to fill permanent posts or are brought in to supplement existing staff levels during busy periods then these would not satisfy the criterion of being a 'contracted out service' for these purposes and consequently any VAT incurred would not be recoverable.

70. Waste disposal services

Includes:

Collection and waste disposal services such as

- Refuse collection
- Trade waste
- Feminine hygiene services
- Clinical waste
- Recycling services
- Removal of ash, incineration services and sludge disposal
- The supply of incineration waste products, or for the use or hire of incineration facilities.
- The removal, conveyance, treatment or disposal of the contents of cesspools, septic tanks or similar receptacles
- Hire of rubbish skips and wheelie bins, where full containers are exchanged for empty ones by an outside firm.

Excludes:

- Purchase of waste disposal equipment as this is a supply of goods.
- Disposal of construction waste in the course of repair & maintenance, which may be incorporated within heading 35-37.

DRAFT

71. Welfare services

Includes:

- Staff support services
- Counselling services provided to staff in the aftermath of major incidents
- The provision of care, treatment or instruction designed to promote the physical or mental well being of elderly, distressed or disabled persons, including children and young persons.

Additional information:

Many of these services will be exempt from VAT

DRAFT

72. Career guidance, mentoring, counselling and other related services to help people in to work or to retain work as part of the DWP/Jobcentre Plus Employment Programme, provided under sections 2 and 9 of the Employment and Training Act 1973

Although this heading refers to the DWP and to an English statute, it is to be read as including any equivalents in Northern Ireland, Scotland and Wales.

DRAFT

73. This heading is now left blank intentionally

The old heading which allowed recovery on “mentoring and counselling to help people in to work as part of the New Deal and ONE Programme” has been withdrawn. This is because activities which used to fall under this heading have largely been absorbed in to the newly reworded heading 72.

DRAFT

74. Original research undertaken in order to gain knowledge and understanding

While there is no general restriction under this heading, we interpret the term ‘original research’ as meaning research that:

- a) Involves surveys, field tests or new research design thinking, interviews or observation conducted specifically in relation to the subject of the research (as opposed to merely collating existing data); and
- b) Extends to secondary data analysis, interpretation (which may include options and/or recommendations) or a systemic review of evidence (rather than mere data gathering and recording)

You should note that research is exempt from VAT (and thus there is no VAT to recover) if it is provided by one of the “eligible bodies” listed in Notice 701/30: “Education & Vocational Training”. In practice these are:

- a) Schools for the under-19s
- b) Universities
- c) Further and Higher Education Colleges
- d) Other public bodies
- e) Non-profit making bodies that reinvest surpluses of income back into the courses they provide.

DRAFT

75. Inspection of woodland sites for approval of felling licence applications and of timber imports/imports using timber packing to prevent entry of foreign tree pests and diseases

DRAFT

76. Probation Services delivered under the Criminal Justice and Courts Services Act 2000

DRAFT