

Public Sector

Tax Forum

All members are welcome to attend meetings.

The next two (2009) will be:

- Thursday 26th February at 10.30 am at the London City Financial Solutions Centre in the City
- Thursday 4th June at 10.30 am at the Leeds Financial Solutions Centre.

Lunch is provided and it is planned to have speakers addressing pertinent issues.

If you would like to attend [please contact us](#).

Add Your Voice

The Forum seeks to consult in the policy making process. If you would like to add your voice to this process then join the Forum today by sending your details to: mail@pstf.org

Possible Further Restrictions to VAT Relief for Agency Staff

The Forum has consistently campaigned against the anomaly that has seen NHS Trusts only able to claim back VAT on agency fees for nurses and junior clerical staff, but not for other medical or professional staff.

It is unfortunate therefore that the draft Treasury list of revisions to the contracted-out services list indicates that VAT recovery may be further restricted, rather than extended. The current draft revised list has removed the words "agency staff" from the definition of code 69 and this indicates that agency staff undertaking clerical duties will no longer be VAT recoverable.

This follows the announcement by HMRC that they are to end the Staff Hire Concession which currently means that Trusts only have to pay VAT on the agency commission, not on the whole cost of hiring staff. As VAT can currently only be reclaimed for nursing or junior clerical and administrative staff, this would mean a significant increase in costs, even without the proposed removal of recovery on junior clerical staff. Based on a sample survey of PSTF members, this could cost some Trusts up to £1m a year and we estimate the cost to the NHS as a whole could be in excess of £30m.

Following the announcement of the removal of the Staff Hire Concession, the Forum made representations to the Treasury Minister responsible for VAT as well as to a number of selected MPs with influence on health issues. A press release setting out the Forum's case received coverage in accountancy and health finance journals.

The Forum suggested that there were two ways in which this matter could be resolved:

- The decision to remove the concession could be reversed.
- The NHS could be allowed to reclaim VAT on all temporary staff, not just nurses and some clerical staff.

In a letter received in response to the Forum's representations, HMRC has stated that the first option is not possible because it would fall foul of European Union regulations. Whilst there has been no indication of HMRC or the Treasury looking favourably on the second option, we are aware that many parties, including the Forum, are lobbying for such an outcome and the Treasury is currently reviewing this issue before publishing the revised list.

The Forum therefore urges its members to lobby their Trusts, their SHAs and their MPs to make representations to the Treasury to pursue this course. Please let us know what responses you receive to your representations.

Meanwhile the Forum has approached organisations representing some of the medical professions to seek their support, as it will be in their interest that Trusts can reclaim VAT on using their members on a temporary basis.

It would be helpful to the Forum as it seeks to encourage the HMRC to adopt this position if you could please let us know what you assess the extra cost would be to your Trust next April of the ending of the Staff Hire Concession if no extra VAT relief is given.

If you would like any information to help you to make your representations, [please contact the PSTF](#) on the contact details below.

All Trusts May be Liable to Corporation Tax

HMRC has said that Corporation Tax, which is expected will initially be applied to Foundation Trusts from 2009-10, will eventually be applied to all NHS Trusts. In discussions with HMRC, Foundation Trusts have expressed the view that the tax should be applied to all Trusts at the same time, and the Forum supports this position.

It is also now suggested that the tax will apply to all profits, not just those above a £50,000 threshold per activity as originally proposed. There is concern that otherwise there will be unfair competition with local business providers and it will fall foul of EU state subsidy rules.

HMRC is to bring forward revised guidance and a timetable for the introduction of Corporation Tax to Foundation Trusts, and it was considered by the PSTF at its last meeting that HMRC are being ambitious in seeking to have this introduced for the 2009-2010 tax year.

The Forum will be making representations to HMRC for the consultation on the revised proposals to be sent to all NHS Trusts, not just Foundation Trusts, as they will all be affected at some stage and therefore should have input now as to how it will operate.

Construction Industry Scheme (CIS)

It is currently understood that Foundation Trusts are required to operate the CIS in the same way as other NHS bodies. However, we are aware that some Foundation Trusts have received advice to the contrary from HMRC, who have admitted that their guidance has been inconsistent. The Forum believes that it would be logical for all Trusts to be included and we would urge all Foundation Trusts to ensure they have a clear ruling on this point from their local HMRC CIS office.

New HMRC Set Up

Whereas VAT for the NHS was dealt with by a separate section within HMRC, it is now combined with all other public sector bodies and other tax issues within the newly formed Public Sector Group. The Business Manager, John Welsh, is very keen to build a relationship with NHS Trusts and the Forum will be looking to develop its relationship with him.

The Forum Continues to Grow

The Public Sector Tax Forum is a body made up of Finance Directors and senior managers from over 100 NHS Trusts in England. The Forum seeks to represent the views of NHS Trusts to the tax authorities and to seek consistency and fairness in tax treatment. Membership continues to grow as the Forum extends its influence. If you are not a member and would like to join (at no cost), please e-mail:

mail@pstf.org

Visit our website - www.pstf.org