



VAT Consulting

Chartered Tax Advisers

NHS VAT NEWS BULLETIN

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Contracted-out services (“COS”) Heading 41 – Nursing Services

In our last newsletter, we provided definitive guidance agreed with HMRC regarding VAT recovery on agency staff.

In particular, HMRC had ruled that VAT on nursing services and nursing staff either provided by a nursing principal or nursing agency could be recovered under COS heading 41 provided the nurses were ‘qualified’ nursing grades, i.e., grades D to I or band 5 and above.

HMRC have since confirmed that the Policy Team is now formally reviewing heading 41 with a view to determining (once & for all) what staff fall within this heading.

They have agreed exceptionally, while the review is in progress that NHS bodies may continue to recover VAT on nurses, nursing auxiliaries, and nursing/healthcare assistants.

This represents a slight widening of the previous ruling in that VAT recovery can be extended to non-qualified nurses/healthcare assistants as well as qualified nursing grades.

If NHS bodies have previously restricted recovery or had VAT disallowed by HMRC for these services, you may recover the restricted VAT on the next appropriate VAT return.

This information was provided to us in advance of HMRC’s next NHS newsletter due in February /March 2008 which will confirm the latest position regarding this heading.

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