



VAT Consulting

Chartered Tax Advisers

NHS VAT NEWS BULLETIN

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Contracted-out services (“COS”) VAT recovery – agency staff and associated issues

NHS bodies have historically recovered VAT on **all** agency staff with the full knowledge of HMRC, however as outlined in our previous news bulletins, they have endeavoured over the last few years to clarify and also restrict the COS headings relating to these types of supplies.

There is often confusion as to whether NHS bodies are being provided with ‘agency staff’ or ‘services’ and therefore whether the VAT on certain supplies can be recovered under the COS rules.

For the avoidance of doubt and to also correct misleading advice which you may have received from elsewhere, we have also obtained definitive guidance from HMRC on this matter and can confirm that the following is correct:

- VAT on nursing services and nursing staff either provided by a nursing principal or nursing agency can be recovered under COS heading 41. This includes all qualified nursing staff grades.
- VAT cannot be recovered under any COS heading on the services of any other non-nursing healthcare workers or other non-nursing healthcare staff provided by an agency, such as doctors/locums/consultants, social workers, physiotherapists, laboratory or theatre technicians, radiographers, etc.

This newsletter is designed to keep readers up to date with current VAT developments but is not intended to be a comprehensive statement of law. No liability is accepted for the opinions it contains or for any errors or omissions.

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- VAT on office staff can generally be recovered under COS heading 69. This has not changed, the wording of the COS heading *'including agency staff'* has been incorrectly interpreted in the past to mean *all* agency staff. HMRC have confirmed that this is somewhat misleading and should only really include office staff. The heading includes typists, secretaries, telephonists, clerical admin staff, accounts staff such as accounts payable, credit control staff, etc, IT staff such as data inputting, data analysis, uploading PC programs, etc (basically general day-to-day admin, clerical, accounts and IT office duties). If an employment agency provides senior accountancy staff or senior IT consulting staff, this is not eligible under any COS heading.
- VAT cannot be recovered under any COS heading on supplies of any other agency staff. Services such as catering, laboratory, laundry, library, messengers, porters, collection, delivery, passenger transport, pest control, security, etc. continue to be eligible under the various headings as contracted-out services in their own right, agency staff carrying out these functions are not eligible for recovery.
- VAT on accountancy services such as record keeping, book keeping, financial control, credit control, preparation of financial accounts, accountancy advice, internal audit, etc can be recovered under COS heading 1. This does not include agency staff.
- VAT on IT consultancy services can continue to be recovered under COS heading 52. If an agency provides IT consultancy staff, HMRC have recently clarified that this is not eligible for VAT recovery.
- Services of managers, advisers, experts, specialists, consultants, etc can continue to be recovered under COS heading 52. This is generally accepted to mean where a company or other form of trading body such as a sole proprietor, partnerships, LLP, etc, provides their services. This includes services of solicitors, architects, quantity surveyors, other professional advisers, etc. Again, it does not include agency staff.

If you have other colleagues who would benefit from receiving this bulletin electronically, please email us and we would gladly include them on our mailing list.

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