For details of supplies made by hospitals or similar institutions see Notice 701/31 *Health institutions*.

For details of the VAT relief for goods and services provided to disabled persons see Notice 701/7 *VAT reliefs for people with disabilities*.

This notice and others mentioned are available both on paper and on our Internet website at www.hmrc.gov.uk.

1.2 What has changed?

This notice updates and replaces the March 2002 edition. As well as changes made to improve readability, the technical content has been updated to reflect changes to the liability of certain health services following the ECJ case of Dr Peter d'Ambrumenil and Dispute Resolution Services (C-307/01) which come into effect on **1 May 2007** subject to the approval of the House of Commons. From this date and as a general rule, exemption will only apply to health services supplied by registered health professionals which are intended principally to protect (including maintain or restore) the health of an individual. For services supplied before 1 May 2007, health professionals should continue to refer to the March 2002 edition of this notice and Business Brief 29/03.

Information about supplies made by pharmacists - formerly contained in Information Sheets 06/97 and 04/06 - has also been incorporated in section 9.

1.3 Who should read this notice?

You should read this notice if you are:

- a registered health professional
- a care provider who is not enrolled on any register of medical or health professionals or
- an employment business that is providing care staff to hospitals or similar healthcare institutions.

1.4 What law is covered within this notice?

The relevant law covering….	**is the Value Added Tax Act 1994….**
Exemption for services performed or directly supervised by certain registered medical and health professionals	Schedule 9, Group 7, Items 1 to 3
Exemption for the provision of a deputising doctor	Schedule 9, Group 7, Item 5
Zero-rating for qualifying goods	Schedule 8, Group 12, Item 1

dispensed to an individual for his personal use, by a registered pharmacist, against a prescription issued by a registered medical practitioner or a registered dentist	
Zero-rating for goods supplied by a doctor under an NHS authorisation or requirement to provide pharmaceutical services	Schedule 8, Group 12, item 1A

1.5 What Is VAT?

VAT is a tax on supplies of goods or service that are

- made in the UK or the Isle of Man
- made by a person who is (or is required to be) registered for VAT
- made in the course or furtherance of business.

Supplies on which VAT is due have a special term - ‘taxable supplies’, so supplies that are specifically exempted from VAT are not taxable supplies.

You are required to register for VAT when the value of your taxable supplies exceeds a set threshold, although in certain circumstances you may register voluntarily even if it is below the threshold. Further information is given in Notice 700/1 *Should I be registered for VAT?* The current threshold is given in the supplement to Notice 700/1. Both of these may be downloaded from www.hmrc.gov.uk

There are three rates of VAT: the standard rate, currently 17.5%; the reduced rate, currently 5%; and the zero rate. The reduced and zero rates only apply to certain specified supplies, and any taxable supplies not covered by these rates will be liable at the standard rate.

Certain supplies are exempt from VAT and these are not taken into account when determining whether you need to register for VAT, nor should you charge your customers VAT on them.

If you make exempt supplies, this may affect your ability to recover VAT incurred on your purchases and expenses. There is a special term for this - ‘partial exemption’. You may wish to discuss this with the HMRC National Advice service on 0845 010 900 or with your accountant or tax advisor. Notice 706 *Partial exemption* explains this in detail and may be downloaded from www.hmrc.gov.uk.

Non-business activities and transactions that take place outside the UK are outside the scope of UK VAT. No VAT is due on these activities and, as with exempt supplies, you do not take them into account when determining whether you are required to register for VAT. You may, however, be able to recover VAT on costs in relation to some transactions which are outside the scope of UK VAT.

Guidance on the liability of supplies made by health professionals is given at sections 2 to 5 and 7 to 10 of this notice.

1.6 Glossary of acronyms

A glossary of acronyms used in this notice can be found in section 10.

2. Exemption for medical services provided by registered health professionals

2.1 What does ‘health professional’ mean?

By ‘health professional’, we mean the following professionals when they are enrolled or registered on the appropriate statutory register:

- medical practitioners
- ophthalmic and dispensing opticians
- professionals registered under the Health Professions Order 2001. These professionals are: **arts therapists, biomedical scientists, chiropodists/podiatrists, clinical scientists, dieticians, occupational therapists, operating department practitioners, orthoptists, paramedics, physiotherapists, prosthetists and orthotists, radiographers, and speech and language therapists**, but will also include medical care professionals added to the Order at a future date
- osteopaths
- chiropractors
- nurses, midwives and health visitors
- hearing aid dispensers
- dentists, dental hygienists, dental therapists, dental nurses, clinical dental technicians, dental technicians; orthodontic therapists and
- pharmacists.

2.2 Why is exemption not permitted for persons who are not enrolled or registered as above, such as alternative therapists?

The UK's approach of linking exemption to statutory registration is considered to be a sensible, objective criterion for defining 'health professionals' for VAT purposes, and is consistent with EU law. This means that therapists such as acupuncturists, psychologists, hypnotherapists and others who do not have statutory registers cannot currently exempt their services.

2.3 What services performed by health professionals are exempt from VAT?

If you are a health professional as detailed in paragraph 2.1, your services are exempt when both of the following conditions are met:

Condition	Description
1	The services are within the profession in which you are registered to practise.
2	The primary purpose of the services is the protection, maintenance or restoration of the health of the person concerned.

The following are examples of services which we accept are for the primary purpose of protecting, maintaining or restoring a person's health:

- health services provided under GMS, PMS, APMS, PCTMS, GDS and PDS contracts
- sight testing and prescribing by opticians
- hearing tests
- treatment provided by osteopaths and chiropractors
- nursing care provided in a patient's own home and
- pharmaceutical advice.

However, certain insurance or education related services may be exempt regardless of purpose, as they qualify under other, independent, exemptions.

2.4 What services performed by health professionals may be taxable or exempt?

Following from condition 2 at paragraph 2.3 above, some services will be taxable or exempt, depending on their primary purpose. This is particularly the case in the area of medical reports and certificates, and in these cases, it is necessary to establish their principal purpose, before liability can be determined.

Where the service is principally aimed at the protection, maintenance or restoration of health of the person concerned, the supply is exempt. However, where the principal purpose of the service is to provide a third party with a necessary element for taking a decision, the supply is taxable at the standard rate. Detailed examples are given in section 3.

2.5 What services are not exempt from VAT?

The following services are taxable at the standard rate:

- Health services not performed by an appropriately qualified and registered health professional, except when either directly supervised by such a person or provided within a hospital or similar institution. This is explained further in section 4.
- Services not aimed at the prevention, diagnosis, treatment or cure of a disease or health disorder, such as paternity testing and the writing of articles for journals.
- Services directly supervised by a pharmacist.
- General administrative services such as countersigning passport applications and providing character references.

If you supply any of these services, you may be required to register for VAT. Notice 700/1 *Should I be registered for VAT* explains the rules relating to registration.

2.6 Do I need to account for VAT on goods supplied in connection with VAT exempt medical treatment?

If you provide medical treatment that is exempt from VAT, any charge that you make for bandages, drugs, medicines or prostheses, administered or applied to your patient in the course of the treatment is also exempt.

Any items that are separable from the treatment (such as privately dispensed drugs supplied for self administration by a patient, for example, for overseas travel purposes) are not exempt from VAT, and will usually be standard-rated. The supply of drugs, medicines and other items to patients by a pharmacist or doctor is zero rated in certain circumstances. Further information for General Practitioners (GPs) can be found at paragraph 5.4, and for pharmacists at section 9.

2.7 Do clinical trials undertaken by health professionals qualify for exemption?

Your supply will only be exempt if it involves patient care, e.g. where you are required to monitor a patient involved in the trial for adverse reactions which may be detrimental to their health. If your involvement with the patient is restricted to monitoring side-effects for analytical purposes, or if you provide analytical testing services with no patient contact, this service is standard-rated.

3. Liability of specific services provided by health professionals

Doctors provide a number of services which are also carried out by other registered health professionals, such as occupational health. To avoid duplication, in the services described below “doctor” also refers to other registered health professionals, where appropriate.

3.1 Access to medical records

In certain circumstances individual patients or their representatives are entitled, by law, to ask for access to or copies of health records (including hand-written clinical notes, copies of letters to and from other health professionals, laboratory reports, X-rays and other imaging records, and printouts from monitoring equipment) or medical reports written about them.

- **Data Protection Act 1998** - requests for copies of personal data are termed “Subject Access Requests” (“SAR”). Where the holder of the records receives a SAR they are obliged to provide the information requested, but may make a charge for so doing. The maximum amount of the fee is set by Regulation, and is a nominal sum to cover the expense of complying with the legal obligation to give access.

- **Access to Medical Reports Act 1988** - this Act governs access to medical reports made by the person’s own GP for insurance or employment purposes. The patient is entitled to ask for a copy of the report and, where such a request is made, the GP must provide one but can charge a reasonable fee to cover their costs incurred in so doing.

- **Access to Health Records Act 1990 and Access to Health Records (Northern Ireland) Order 1993** - these pieces of legislation facilitate access to the health records of deceased persons only by that individual's personal representative and anyone with a claim arising out of the person's death. The holder of those records is legally required to provide copies of records requested under this legislation. They may charge a fee for so doing, but it must not exceed the cost of making and mailing the copy to the applicant. Access to the health records of living persons will be made under the Data Protection Act 1998 noted above.

Where a doctor provides a copy of all or part of a medical record or report under the terms of one of the four statutory requirements set out above, that activity is outside the scope of VAT. But where a copy of a health record is provided in circumstances that do not fall within one of these statutory obligations, that is a taxable supply, and liable to VAT at the standard-rate.

See also statutory services under 3.12.

3.2 Certificates/reports

Most supplies of certificates and reports are liable to VAT at the standard rate as they enable a third party to make a decision and contain no element of therapeutic care. For example, they may enable claims to compensation, benefits or registration as a blind or disabled person, which themselves give entitlement to certain services. However, where the principal purpose of certificates and reports is to protect, maintain or restore the health of the individual, then they are exempt - for example, sick notes and certain reports required as part of adoption procedures.

Fitness certificates were one of the supplies considered by the ECJ in the case of Dr Peter d'Ambrumenil, and where they are provided as a condition of a person taking up a particular profession or sporting activity, they are taxable at the standard-rate. However, where they are provided to, for example, an employer for the purpose of ensuring that the employer recognises that the individual's health places limitations on certain activities (for example they should not undertake heavy lifting due to a severe back problem), then the purpose of the supply is principally to protect the health of the individual and is exempt.

Doctors may also provide reports under the 'exercise on prescription' scheme. This is a scheme funded by the NHS under which gym membership is provided free to certain defined patients with certain defined illnesses as part of the patient's rehabilitation. As these supplies are aimed at restoring the health of the individual concerned, such reports are exempt.

3.3 Cosmetic services

Each case will need to be considered on its individual merits. However, we will generally accept that cosmetic services are exempt where they are undertaken as an element of a health care treatment programme. Where services are undertaken purely for cosmetic reasons, they will be standard rated. For services undertaken by hospitals and state-regulated institutions, see Notice 701/31 *Health institutions*.

3.4 Education services

Doctors undertake a wide variety of education-related activities and consideration should be given to whether they qualify as an exempt supply of education (see Notice 701/30 *Education and vocational training*) before considering whether they qualify as a supply of exempt healthcare.

Lectures (be they one-off or a series) given as part of a medical training course or Continuing Professional Development and training sessions to first aiders, which are provided by a doctor in either a sole proprietor or partnership capacity, are exempt as a supply of private tuition under the education exemption.

Presentations aimed at promoting health are also considered to be exempt as their principal purpose is to protect the health of the individuals attending. However, presentations given to a non-medical audience on, for example, the latest medical developments are considered to be taxable.

3.5 Family planning

This covers such services as counselling, contraception and sterilisation (and reversals), all of which we accept as being for the principal purpose of protecting the health of the person concerned and therefore exempt.

3.6 Forensic physicians

Where crime levels are high enough to justify the appointment of a full-time forensic physician, they are salaried employees of the Home Office and as such, this income is outside the scope of VAT. However, where crime levels do not justify such an appointment, this work is undertaken as and when required by local doctors on a fees basis. Their first duty is to see to the medical needs of the victim and alleged perpetrator, and whilst we recognise that they also have a duty to collect evidence for future court proceedings, we accept that the principal purpose is to provide medical services to those requiring it. As such, we will accept that there is a single supply of exempt healthcare in these instances. If a statement or report is required at a later stage, this will be a separate supply which is taxable at the standard rate.

3.7 Insurance services

Medicals and reports are requested by insurance companies for a broad range of insurance purposes. Some services, whilst forming a mandatory condition of the policy once accepted, have a therapeutic purpose and we accept that the following medical services commissioned by insurance companies meet the purpose test and qualify as an exempt supply of health in principle:

- Health screening under private medical insurance policies - these are regular check-ups to detect early signs of disease.
- Income/credit protection insurance - medical services where the policy holder has fallen ill (as opposed to losing his job) and which are aimed at assisting the individual in returning to a normal life.
- Motor insurance - where medicals services are provided under a policy to assist in enabling an injured motorist to return to full health and/or work. (Note - this does not include medicals undertaken for DVLA purposes to ensure initial or continued fitness to drive which are liable to VAT at the standard rate).
- Any other medical service provided in connection with an insurance policy where the principal aim is to assist in restoring the health of the individual.

In addition, when medicals and reports are provided in connection with the bringing together of parties to a contract of insurance, the administration of policies or the handling of insurance claims under such contracts, these services are currently exempt as insurance related services under the insurance exemption - see Notice 701/36 *Insurance*.

Medicals and reports provided purely for the purposes of valuing policies for tax reasons, for example, in relation to inheritance tax, are liable to VAT at the standard rate.

Rehabilitation services are dealt with separately, at 3.11 below.

3.8 Medico-legal work

This includes such work as medicals, reports and expert witness testimony for the judicial system and is considered to be taxable. This is the case even where the services supplied are for the purpose of the Family Courts and where the ultimate decision arrived at by the court may concern the well-being of an individual. This is because the principal purpose of the services supplied is to enable the court to take a decision.

3.9 Mental health tribunals

These are to enable a panel of registered health professionals to determine whether a person should commence or continue being detained under the Mental Health Act. As the purpose of the detention is to assess and treat the condition and is focused on helping people who are ill, but whose consent to treatment could not otherwise be obtained, we accept that services provided by way of the preliminary examination, observations and the tribunal sitting are exempt as the services are directly linked to the treatment of the person.

3.10 Occupational health

Occupational health services are now provided by individual doctors and a wide range of organisations with varying legal status. It is a rapidly growing field and a significant proportion of occupational health services has been contracted out by the NHS to commercial bodies.

Broadly speaking, services provided in this field fall into the following categories with liability as indicated:

Pre-employment medicals - these were ruled to be taxable by the ECJ which considered them to be primarily for the purpose of enabling a prospective employer to take a decision on recruitment. This is considered to include medicals (and reports) for the purpose of determining whether a person is medically fit enough to join a professional register.

Post-employment medicals - where these are to:

- ensure a person is medically well enough to undertake proposed work activities
- assess whether proposed work could adversely affect their health and to make recommendations to minimise any risk accordingly
- to determine whether early retirement on ill-health grounds is appropriate,

then the principal purpose is considered to be protecting the health of the individual concerned and the supply is exempt. However, where the medical is undertaken to determine whether a person can join a pension scheme, the supply is taxable as the principal purpose is to enable a third party to take a decision.

In-service health screening - this service is provided either at an employee's request or following a management referral. It can also be provided as a result of statutory requirements. Where someone attends on their own initiative, it is often because they want advice on how a particular health condition affects their performance or about how the work affects their health. Services provided can include checking blood pressure, sugar levels (diabetes) cholesterol etc and are aimed at protecting, restoring and maintaining the health of the individual.

Management referrals are often made because of poor attendance or performance where there are no known underlying health problems. In these cases, the clinic provides advice on how to manage common health problems, provides immediate restorative care, or may consult with the person's GP, and makes recommendations re referral for physiotherapy, counselling etc. Whilst this service enables the employer to make a decision with regards to the individual's future, we accept that the underlying purpose of the referral is to deal with the medical problem, and that it is therefore undertaken for the purposes of protecting and restoring the health of the individual. (Related reports are considered incidental to the principal supply of health and are therefore also exempt).

Occupational health providers may also carry out immunisations to protect employees whose work presents particular risk of infection - this is clearly protection of an individual's health.

Whilst all cases will need to be considered on their own merits, in principle, we consider all of the above 'in-service' services to be exempt as protecting etc. the health of the individual.

Risk assessments including advice on ergonomic layouts - these identify risk in the workplace, quantify it and advise on measures to control it - for example, by issuing protective clothing or changing procedures. Whilst many are undertaken as a result of statutory H&S requirements, these are generally not undertaken by health professionals in the exercise of their respective professions. As such they are considered to be liable to VAT at the standard rate whether undertaken by a registered or non-registered health professional.

Training and advice - this may qualify as an exempt supply of education (see above), but otherwise essentially represents the occupational health provider's role in promoting and advising on health issues for the purposes of maintaining the good health of the company's employees. It is therefore considered to qualify for exemption as medical care.

3.11 Rehabilitation services

We accept that the principal purpose of most rehabilitation services is to improve both the physical and psychological health of the individual and as such, they are exempt. The only exception to this is reports commissioned by lawyers for the purpose of quantifying the additional costs of disability and hence, the value of any claims for compensation - these are liable to VAT at the standard rate. Reports commissioned for the purpose of determining what is required to assist rehabilitation and recovery are exempt.

3.12 Statutory services

Doctors supply a number of services under various statutes, as set out below. Where no fee is charged, there is no consideration and therefore no supply. Where a fee is charged, but the doctor is compelled by statute to provide the service, it will be outside the scope of VAT. In all other circumstances, the doctor will be making a supply by way of business, which may be taxable or exempt depending on the principal purpose of the supply:

- **Section 22 Births & Deaths Registration Act 1953** - the medical practitioner attending a person during their last illness prior to death must issue the death certificate. No fee is charged for this, so there is no supply.

- **Section 11 Public Health (Control of Disease) Act 1984** - a medical practitioner who becomes aware that a patient he is attending is suffering from a notifiable disease or food poisoning must issue a certificate to the local authority. The practitioner is entitled to make a charge for this, but this supply is outside the scope of VAT as the charge is made under statute.

- **Section 19 of the Coroners Act 1998** - coroners can appoint a doctor (pathologist) to carry out a post mortem if necessary. As the doctor is compelled to accept this appointment, the charge made for this supply is outside the scope of VAT.

- **Supreme Court Act 1981** - this is where a High Court calls in the aid of a specialist to give evidence of facts, and is relevant to the giving of professional evidence only (see 3.13 below). As the specialist is required to attend where called, the charge made for attending (including any re-imbursement of allowances) is outside the scope of VAT.

- **Blood Test (Evidence of Paternity) Regulations** - doctors are not obliged by statute to provide these services (although fees charged are set by statute). Fees charged are therefore consideration for a supply, and are taxable at the standard rate.

3.13 Witness testimony and allowances

Services of providing professional (giving evidence of facts acquired as a result of your professional position and not covered by the Supreme Court Act 1981 above) and expert (giving an expert opinion) witness evidence for the courts are liable to VAT at the standard rate as the principal purpose is to enable a third party, the court, to take a decision. Allowances paid to doctors to cover their costs whilst appearing in court as a professional or expert witness (including travelling and accommodation costs and reimbursement of a locum's charges) are regarded as part of the overall payment for the witness's services. Accordingly, they follow the liability of the main, related supply and are standard-rated.

Allowances paid to doctors where they are called as an ordinary witness are considered to be outside the scope of VAT as in these cases, they are called as a member of the public, and not in their professional capacity.

4. Exemption for care services performed by suppliers that are not enrolled on a statutory professional register

4.1 Can care services performed by a person not enrolled on a statutory medical register be exempt?

Yes, but only when the service is health or nursing care that is provided either:

- under the **direct supervision** of a health professional (other than a pharmacist) who monitors the services through regular checks (see paragraph 4.2), or
- in a hospital or nursing home (see paragraph 4.3).

4.2 When are services “directly supervised”?

Care services provided by any person who is not a registered health professional, are “directly supervised” for the purposes of the VAT exemption, when **all** of the following conditions are met:

Condition	Description
1	The services are supervised by one of the registered health professionals listed in paragraph 2.1, and the supervisor is professionally qualified to perform and supervise the service.
2	The service requires supervision by a registered health professional, and is provided predominantly to meet the medical needs of a client.
3	The supervisor has a direct relationship with the staff performing the service, and is contractually responsible for supervising their services.
4	A qualified supervisor is available for the whole time that the care service is provided.
5	No more than 2000 hours per week of staff time are supervised by a single health professional.

6	A supervisor has a say in the level of care to be provided to the client, and will usually see the client prior to the commencement of the care service.
7	The supervisor must be able to demonstrate that they monitor the work of the unregistered staff.

Where the above conditions are not met, your services are standard-rated, even when performed to meet the medical or health care needs of a client.

4.3 When are the services of unregistered staff working in a hospital or similar institution exempt?

Care services performed by unregistered staff may also be VAT exempt when both of the following conditions are met:

Condition	Description
1	The care service is performed in a hospital or similar institution. For the purposes of this exemption “similar institutions” are: • nursing homes and • hospices that are state regulated (see Notice 701/31 *Health institutions*).
2	The unregistered staff provide care that is directly connected with the welfare of the recipient. This would normally involve the provision of personal care services, but not services such as catering or hairdressing.

4.4 Can a business that employs or engages health professionals or unregistered care staff exempt their supplies?

Yes, provided that the business:

- acts as a principal (rather than an agent)
- makes supplies of care, as opposed to supplies of staff and
- the services provided meet the conditions detailed in paragraph 2.3 or paragraph 4.3.

4.5 Can an agent arranging the supply of services by a health professional or an unregistered carer exempt their agency or arrangement fees?

No. If you are an agent, your commission, fee or any other charge that you make for arranging and administering the supply is standard-rated.

4.6 How do I decide whether I am an agent or a principal?

This is determined by reference to your contractual and other arrangements. Notice 700 *The VAT Guide* contains further details that may help you decide whether you are an agent or principal.

5. General Practitioners - VAT liability of supplies

5.1 Other NHS income

GP practices receive a monthly Statement of Fees of NHS payments due to the practice. All of these payments (other than accounting or timing adjustments) are consideration for the practice's supplies of medical services.

Payments will be liable to VAT depending on their principal purpose and according to the principles and guidance outlined in sections 2 and 3 of this Notice. Thus, payments relating to activities where the principal purpose is the protection, maintenance or restoration of the health of the patient (for example, anti-coagulant monitoring, childhood immunisations, flu and pneumococcal vaccinations) are payments for exempt supplies. However, payments in relation to services such as the completion of forms to enable persons to obtain blue/orange disability badges are liable to VAT at the standard rate.

'General' payments and reimbursements of practice costs (for example GMS global sum, MPIG correction factor, computer costs, notional rent) are also payments directly related to exempt services unless the practice has dispensing activity, in which case they will cover taxable and exempt supplies. In such cases, they will need to be apportioned in accordance with the guidance given in Notice 700 *The VAT Guide* on apportionment.

5.2 NHS payments to doctors for drugs and appliances

You will also receive from the NHS reimbursement for any drugs and appliances that you have dispensed or administered to patients. If you are a doctor authorised to provide NHS pharmaceutical services, this payment will consist of:

- a taxable element - that part of the payment which relates to items you have dispensed to a patient under NHS pharmaceutical regulations, and to supplies of oxygen and
- an exempt element - that part of the payment which relates to drugs or appliances you have administered to a patient.

Paragraph 6.5 explains how you should calculate what proportion of this reimbursement is taxable.

5.3 How do dispensing doctors calculate how much of their NHS payment for drugs and appliances is taxable?

Dispensing doctors receive two statements from the NHS; one relating to dispensed drugs and the other to their supply of medical services. To determine the value of exempt supplies from the drug statement HMRC considers that, whilst not being entirely accurate, the net value of the VAT allowance can be used as a proxy for the exempt supplies of drugs. If you wish to determine exempt values more accurately you may, provided that the method used is not arbitrary and can be audited by officers of HMRC. An apportionment of the dispensing fees figure will also need to be made. VAT Notice 700 *The VAT Guide* gives details on acceptable apportionment methods.

5.4 What is the VAT liability of goods supplied to patients by a doctor?

If you are a doctor who is authorised to provide NHS pharmaceutical services to certain patients, the payments you receive from the NHS for items dispensed to those patients are zero-rated, provided that the items are:

- dispensed to the patient on the basis of an NHS prescription
- taken away from the surgery and
- supplied for the personal use of the patient.

NHS payments received in respect of the drugs or appliances that you have personally administered, injected or applied to a patient in the course of medical treatment are exempt, even if you are authorised to provide NHS pharmaceutical services.

VAT may be due on any other items that you supply to patients (see paragraph 2.6) including medicines dispensed by a doctor against a private prescription.

6. VAT registered health professionals and VAT recovery

6.1 What VAT may health professionals recover?

If you are a VAT registered health professional, you are entitled to deduct the input tax incurred on costs that you use or intend to use in making taxable supplies. You may therefore reclaim the VAT that you have paid on any purchases that are directly attributable to your taxable (standard and zero-rated) activity. This will include drugs and medicines purchased by doctors for supply to patients under NHS pharmaceutical arrangements.

However, you cannot normally deduct input tax that relates to your exempt supplies. This includes VAT incurred on the drugs or appliances that doctors have personally administered, injected or applied to their patients in the course of medical treatment.

If your input tax relates to both taxable and exempt supplies - which can often be the case with business/surgery overheads such as utility charges or purchases of items of medical equipment - this is known as residual or non-attributable input tax. You can normally deduct only the amount of this that relates to your taxable supplies.

VAT incurred in respect of non-business activities, such as statutory work, is not input tax and can not be recovered.

6.2 How should health professionals work out how much VAT they may recover?

If you are a VAT registered health professional making both taxable and exempt supplies, you are partly exempt for VAT purposes. Notice 706 *Partial exemption* explains how partly exempt traders should calculate how much of the VAT incurred on business overheads and purchases may be recovered. As part of that calculation, you are required to distinguish between:

- supplies and purchases that relate to **taxable** (standard or zero-rated) activity, for example services not aimed at the protection, maintenance or restoration of health, or NHS pharmaceutical services provided by doctors

- supplies and purchases that relate to **exempt** activity, such as the services detailed in paragraph 2.3, or the administration of drugs in the course of medical treatment and

- supplies and purchases that relate to both taxable (standard and zero-rated) and exempt activity, such as overheads.

You should work out which of your activities are taxable and which are exempt with reference to the liability rules detailed elsewhere in this notice.

6.3 Dispensing doctors

Although the amounts shown on the statements received from the NHS relate to supplies made two or three months earlier, it has been agreed that the values to be used in the standard partial exemption method will be the amounts shown on the statements/payments received in the period (see paragraph 5.3 for determining exempt/taxable values).

7. Medical practitioners visiting the UK

7.1 Are the services of medical practitioners from other EC member states exempt?

Yes. If you are a medical practitioner registered in another EC member state who visits the UK to treat a patient, you may not have been able to enrol on one of the UK statutory medical registers prior to your visit. In such cases, your services of treating a patient in the UK will still be exempt provided that you:

- are eligible to be included on the statutory register of medical practitioners with limited registration and

- submit the necessary enrolment documentation to the relevant body as soon as possible after the treatment.

8. Dentists, dental care professions and dental technicians

8.1 What is the liability of services and goods supplied by dentists, dental care professionals, and dental technicians?

If you are a dentist, a dental care professional, or a dental technician you may exempt your supplies of

- dental care and treatment

- drugs or appliances provided in the course of dental care and treatment and

- dental prostheses (including dentures, artificial teeth, crowns, bridges, palates and other orthodontic appliances).

Items, other than prostheses, that are separable from dental treatment provided to a patient will usually be standard rated. This includes any supply of toothbrushes, toothpaste and dental floss.

Advisory services - for example, advising on clinical governance, poor performance and standards - as supplied by a small number of dentists to Primary Care Trusts on a self-employed basis are generally also standard rated. Where such services are provided on an employee (not self-employed) basis, any income received will be outside the scope of VAT. Cosmetic dentistry services will need to be considered on a case by case basis and will be exempt only where they are supplied as an element of oral health treatment by a registered health professional. For services undertaken by hospitals and state-regulated institutions, see Notice 701/31 *Health institutions*.

8.2 Supplies between dentists within the same practice

A dental practice is often comprised of a number of dentists operating from the same premises. When there is more than one dentist within a practice there may be payments between the dentists in respect of shared facilities, equipment, prostheses and staff. Such charges are exempt provided that they relate to services or facilities that:

- are predominantly medical in nature and

- are necessary to allow the recipient to perform dentistry.

This exemption **does not** apply to:

- any supplies made by a dentist who has ceased to practise, or by a landlord who is not a dentist

- supplies of goods (other than dental prostheses) that are held out for sale to patients, such as toothpaste and toothbrushes or

- any sales of dental equipment by a practice owner.

9. Pharmacists

9.1 New contractual framework for community pharmacy services

The new framework for community pharmacy services came into effect from 1 April 2005 and required pharmacies to provide the services detailed below from 1 October 2005 onwards. The framework only applies to England and Wales, but it is likely that Scotland and Northern Ireland will produce their own contracts for community pharmacy services in the future. In the meantime, community pharmacy services in Scotland and Northern Ireland should also use the following guidelines for the purposes of determining the liability of supplies made. Separate guidance will be provided in respect of these arrangements, if required, in due course.

9.2 What services do pharmacies provide?

Pharmacy services fall into three categories, essential, advanced, and enhanced. All pharmacies provide essential services; some may also provide advanced and enhanced services, depending on the terms of their contracts with Primary Care Trusts and local Health Boards.

9.3 What are essential services?

Essential services comprise dispensing and repeat dispensing, disposal of unwanted medicines, signposting, promotion of healthy lifestyles, support for self care, and support for people with disabilities.

9.4 What is the VAT liability of essential services?

9.4.1 Dispensing and repeat dispensing

Where dispensing or repeat dispensing is undertaken by a registered pharmacist, against a prescription issued by a doctor or dentist, that is a supply of goods, zero-rated under Item 1 of Group 12, Schedule 8 of the VAT Act 1994. We also allow items dispensed by a pharmacist against a nurse’s prescription to be zero-rated. In all cases, the items dispensed must be for the personal use of the patient; this excludes use while the patient is being treated in a hospital or similar institution.

There are a number of payments which relate to the dispensing activity. These are:

- item fee
- establishment payment
- protected payment

- repeat dispensing annual payment
- transitional payment
- special fees for dispensing controlled or expensive drugs and for measuring and fitting appliances that the pharmacy also customises.

All of these payments are consideration for dispensed goods and zero-rated where the conditions for zero-rating are met.

9.4.2Disposal of unwanted medicines

This service involves taking in unwanted medicines, sorting and storing them until the Primary Care Trust (or local Health Board in Wales) arranges for them to be collected and destroyed. It is a standard-rated supply.

9.4.3Signposting

This activity provides patients with information about other, non-pharmaceutical services which might be beneficial to them. The service does not need to be performed by a registered pharmacist and is standard-rated.

9.4.4Promotion of healthy lifestyles

This is one service comprising two stages; the provision of information by means of leaflets and poster displays; and individually tailored advice given by the pharmacist to patients in certain identified at-risk groups. The latter element is the predominant one and is aimed at the maintenance of a person's health. Accordingly, this service is exempt.

9.4.5Support for self-care

This involves providing patients with pharmaceutical advice about medicines and other products available over-the-counter. The pharmacist's provision of advice will be exempt. Any medicines sold over-the-counter will be a separate, standard-rated supply.

9.4.6Support for people with disabilities

This is extra support provided to patients in response to their assessed need, in order to facilitate their safe self-administration of medicines. This support is a requirement under the Disability Discrimination Act 1995 and can comprise:

- special labelling of containers for use by visually disabled patients
- removing drugs from blister packs and repackaging them in replacement containers such as multi-compartment boxes

- reminder charts.

This activity is a further aspect of the dispensing of prescribed medicines and is zero-rated where the medicines themselves are zero-rated.

9.5 What does the practice payment cover, and how do I apportion it?

All of the supplies under 9.4.2 to 9.4.6 above are covered by the ‘practice payment’. This payment also covers ‘clinical governance’, i.e. an element of it funds the professional delivery of NHS pharmacy services. Clinical governance is not a supply for VAT purposes, and this funding is outside the scope.

The practice payment is therefore made up of six elements, two of which are standard-rated, two exempt, one zero-rated and one outside the scope. You will need to apportion it between these elements in order to calculate your taxable and exempt supplies and any output tax due. Information on the percentage weighting to be applied to each element is available from the Pharmaceutical Services Negotiating Committee (PSNC).

9.6 What are advanced services and what is their VAT liability?

The medicines use review and prescription intervention are advanced services. These involve reviewing a patient’s needs for and use of medicines, including whether the patient is experiencing any side effects or other problems. These services are exempt.

9.7 What about enhanced services?

Primary Care Trusts and local Health Boards can also contract with pharmacies to deliver other, local enhanced services. General advice on the most commonly encountered services is set out below. However, these arrangements are tailored to meet local needs and so the actual contractual terms can be subject to variation. In determining the correct liability of your supplies you will need to examine the particular arrangements you have entered into, bearing in mind the single/multiple supply rules and taking account of the status of the person performing the service.

9.7.1Needle and syringe exchange

Typically, this service may involve making clean needles and syringes available free of charge to drug users and diabetics; disposing of used needles safely; and providing health education advice and information to service users.

Sterile needles and other materials are often provided free of charge to users by the Primary Care Trust or local Health Board via the pharmacy. Accordingly, the free issue of these goods is not subject to VAT.

Where a registered pharmacist:

- assesses the condition of service users and, where appropriate, provides one-to-one health advice or treatment
- provides one-to-one advice to service users about safe injecting techniques or
- where appropriate, provides one-to-one advice on dealing with injecting or drug related infections and illnesses

the service will be an exempt supply. The pharmacist does not need to provide these services to every service user for VAT exemption to apply. However, we would expect the contract to require these services to be provided to service users on request, or where considered appropriate by the pharmacist.

The service will be standard rated where:

- the pharmacist is merely issuing new needles and overseeing the surrender of old ones and has no role in assessing the health condition of the service user
- the service does not require the skills and experience of a pharmacist, and is such that it could be, or is, carried out by a pharmacy assistant or any other member of staff who is not a registered pharmacist or
- the pharmacist's provision of health education or information goes no further than issuing standard leaflets to service users.

9.7.2Minor Ailment Service

Under this service pharmacies provide support to eligible patients presenting with a minor ailment such as conjunctivitis or diarrhoea. Following assessment, the pharmacist might give advice, supply appropriate over-the-counter medicines or dressings to treat the ailment and/or refer the patient to another health professional. In providing the service the pharmacy works to guidelines set out in a local protocol which will define the groups of persons eligible to receive treatment and the formulary from which medicines may be issued.

Where assessment of the patient's condition and the provision of advice and support in managing the ailment are carried out by a pharmacist, this is an exempt service. But any medicines or dressings issued will be standard-rated where they constitute separate supplies of goods. Payment for the goods is made by the NHS rather than the patient.

9.7.3Patient Group Directions (“PGDs”)

These directions are drawn up locally. They permit pharmacists to issue defined drugs to a class of patients presenting with particular conditions. PGDs do not amount to “prescriptions” because they are not written in respect of an identified, individual patient so the supply of goods will be taxable at the standard rate.

Contractors requiring assistance in determining the liability of their enhanced services should contact the National Advice Service.

9.8 What about other payments received by pharmacists?

9.8.1Electronic Prescription Service (EPS)

EPS enables prescribers to send and dispensers to receive prescriptions electronically (i.e. drugs and medicines are dispensed against electronic rather than paper prescriptions). In order to operate EPS, a contractor needs to comply with the requirements for the EPS system.

EPS is being deployed with two releases of software (Release 1 and Release 2). Contractors will receive two fees as a contribution for implementing Release 1 and one fee for implementing Release 2. These fees reflect pharmacies having the right IT and software systems in place.

Once a contractor is in a position to operate either Release 1 or Release 2 they can claim an ongoing monthly fee of £200 to contribute to connectivity and IT maintenance costs.

None of these fees are consideration for supplies made. They are funding to support EPS and accordingly are outside the scope of VAT.

9.8.2Prescription charge refunds

Sometimes patients who are exempt from paying NHS prescription charges need to obtain prescription medicines before they have received the certificate that confirms their status. In these circumstances they pay the prescription charge when their medicines are dispensed but claim it back at a later date, once they hold the necessary documentation. Under the contractual framework for community pharmacy, pharmacies will be responsible for making these refunds, but there is no clearly distinguishable payment for this activity. It does not amount to a supply for VAT purposes.

9.8.3Exit payments

During the first year of the framework, any pharmacy dispensing less than 2000 items per month, and which decides to close, will receive a one-off payment equal to the amount it would have received under the Professional Allowance, (an allowance paid under previous funding arrangements) had it remained open for a further year. This payment is not consideration for any supply made by the pharmacy and is outside the scope of VAT.

10. Glossary of acronyms

Acronym	Definition
APMS	Alternative Provider Medical Services
DVLA	Driver and Vehicle Licensing Agency
ECJ	European Court of Justice
GDS	General Dental Services
GMS	General Medical Services
MPIG	Minimum Practice Income Guarantee
PCT	Primary Care Trust
PCTMS	Primary Care Trust Medical Services
PDS	Personal Dental Services
PMS	Personal Medical Services

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HM Revenue and Customs
Social Reliefs Team
Room 3E/14
100 Parliament Street
LONDON SW1A 2BQ

Please note this address is **not for general enquiries**. You should ring our National Advice Service about those.

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If you have a complaint please try to resolve it on the spot with our officer. If you are unable to do so, or have a suggestion about how we can improve our service, you should contact one of our Regional Complaints Units. You will find the telephone number under ‘Revenue & Customs' or under 'Customs and Excise' in your local telephone book. Ask for a copy of our code of practice ‘Complaints and putting things right’ (Notice 1000). You will find further information on our website at http://www.hmrc.gov.uk.

If we are unable to resolve your complaint to your satisfaction you can ask the Adjudicator to look into it. The Adjudicator, whose services are free, is a fair and unbiased referee whose recommendations are independent of Revenue & Customs.

You can contact the Adjudicator at:

The Adjudicator's Office
Haymarket House
28 Haymarket
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