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Dear

VAT: Changes to VAT exemption with effect from 1 May 2007

Following a number of enquiries I have prepared the appended aide-memoire. As you will note there is a very fine dividing line between certain services being either exempt or standard-rated. It should however be borne in mind that these changes were brought about not by HM Revenue & Customs but by the challenge of a UK doctor to the European Court of Justice.

If the entity making the proposed standard-rated services is VAT registered consideration could be given to transferring such activities to a separate non-VAT registered entity. Particularly where these ancillary activities are only performed by certain individuals. This is of course assuming that the taxable value of transferred services will be below the VAT registration threshold (currently £61,000 per annum).

I must repeat however that on this occasion these changes have been forced on HM Revenue & Customs.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Peter Perry', written in a cursive style.

Peter Perry

VAT Liability of Health Services

Overall Acid Test

- **Exempt from VAT**

Where the service is principally aimed at the protection, maintenance or restoration of health of the person concerned.

- **Taxable at the standard rate**

Where the principal purpose of the service is to a third party providing them with a necessary element for taking a decision.

Clinical Trials

- **Exempt from VAT**

Where the trial involves patient care

- **Taxable at the standard rate**

Activity is restricted to monitoring side effects for analytical purposes. Or the provision of analytical services with no patient contact.

Access to Medical Records

- **Data Protection Act 1998**

Requests for copies of personal data known as subject data requests (SAR).

- **Access to Medical Reports Act 1988**

Governs access to medical reports by the person's own GP for insurance or employment purposes.

- **Access to Health Records Act 1990 and Access to Health Records (Northern Ireland) Order 1993**

Facilitates access to the health records of deceased persons.

Where a doctor provides a copy of all or part of a medical record under the terms of one of the above statutory obligations the activity is outside the scope of VAT.

Where a copy is provided in circumstances that do not fall within one of these statutory obligations a standard rated taxable supply is made.

Certificates/Reports

The VAT liability of the report may be either standard rated or exempt. The dividing line is often very fine, being whether there is an element of care.

Examples given and determined by HM Revenue & Customs are as follows;

Reports enabling claims to compensation, benefits or registration as a blind person	Standard-rated
Sick notes, reports as part of adoption procedures	Exempt
Fitness certificate as part of a person taking up a particular profession or sporting activity	Standard-rated
Certificates provided to an employer which is ensuring that the employer recognizes that the individuals health places limitations on certain activities (eg. heavy lifting due to a back problem)	Exempt
Reports under the "exercise on prescription scheme"	Exempt
Cosmetic services under a health treatment programme	Exempt
Cosmetic services undertaken purely for cosmetic reasons	Standard-rated
Forensic physicians services	Exempt
Forensic statement or report	Standard-rated
Health screening under private medical policies	Exempt
Income/credit protection insurance	Exempt
Motor insurance medicals provided to assist an injured motorist to return to full health and or work	Exempt
Medicals undertaken for DVLA purposes to ensure initial or continued fitness to drive	Standard-rated
Medical sand reports provided in connection with the bringing together to parties to a contract of insurance	Exempt
Medicals and reports provided purely for the purposes of valuing policies for tax reasons	Standard-rated
Medico – legal work such as medicals, reports and expert witness testimony for the judicial system	Standard-rated
Mental health tribunal work	Exempt
Pre-employment medicals	Standard-rated
Post-employment medicals. For example, determining whether a person is medically well enough to undertake certain activities. Assess whether work could adversely affect their health. To determine whether early retirement on ill health is appropriate.	Exempt
Pension scheme medicals	Standard-rated
In-service health screening	Exempt

Risk assessment including advice on ergonomic layouts	Standard-rated
Training and advice, designed to promote and maintain the good health of employees	Exempt
Rehabilitation services	Exempt
Rehabilitation reports commissioned by lawyers	Standard-rated
Statutory services	
- Section 22 Births & Death Registration Act 1953	No supply for VAT purposes
- Section 11 Public Health (Control of Disease) Act 1984	Outside of scope of VAT
- Section 19 of the Coroners Act 1998	Outside of scope of VAT
- Supreme Court Act 1981	Outside of scope of VAT
Witness testimony. For example giving evidence of facts and expert opinions	Standard-rated
Witness allowances when called as an ordinary witness	Outside of scope of VAT