



## **Medical Services – Non Dispensing Practices Edition VAT Treatment from 1 May 2007**

*(based on VAT Public Notice 701/57 : Health Professionals)*

### **By way of explanation**

Following is a summary of information found in VAT public notice 701/57 related to the VAT treatment of various common services provided by GPs.

Where a service is noted as being taxable this means it must be included when considering the threshold beyond which the practice should be VAT registered. Until the practice has applied for and received a registration certificate from H M Revenue & Customs no VAT should be charged, even where the service is taxable.

Note that there is three possible VAT classifications of income.

- **Outside the scope** – this means it is completely kept outside the VAT system. VAT does not apply to the income, and no VAT can ever be claimed on costs incurred on creating the income.
- **Exempt** – this means that VAT would apply, however the income has been exempted. VAT is not charged on this income. In some circumstances VAT on costs incurred in creating the income can be reclaimed.
- **Taxable** – this means that VAT does apply. The rate of VAT charged can vary between 0% (zero-rated), 5% (reduced rate) and 17.5% (standard rate). VAT on costs incurred in creating the income can be reclaimed.

Once the practice has VAT registered then taxable will usually mean that VAT should be charged at the rate of 17.5% (also known as standard-rated). In certain cases the VAT rate may be 0% (also known as zero-rated).

### **GMS/PMS Income**

Core funding under the GMS/PMS contracts will remain as exempt income.

### **Medical Reports**

Practices will need to establish the principal purpose of the report before liability can be decided.

Essentially if the service is principally aimed at the protection, maintenance or restoration of the health of the person concerned, the supply is exempt.

If the principal purpose is to provide a third party with the necessary elements for taking a decision, then the supply is taxable.

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## **Items Supplied to Patients**

Charges for medication and bandages etc. which are provided in the course of treatment are exempt.

Any items that are separable from the treatment are taxable. For example tablets supplied to a patient going on overseas travel, which they self administrate.

## **Clinical Trials**

If specific patient care is involved then the service is treated as exempt.

If the service provided is predominantly of an analytical nature such as analysing side effects, or providing analytical services with no patient contact then the service is taxable.

## **Access to Medical Records**

Where the practice is compelled to provide these as a result of statutory obligation, then any charge made is deemed to be outside the scope of VAT.

Requests made under the following Acts of Parliament would create a statutory obligation:

- Data Protection Act 1998
- Access to Medical Reports Act 1988
- Access to Health Records Act 1990
- Access to Health Records (Northern Ireland) Order 1993

If there is no statutory obligation then any charge made is taxable.

## **Certificates and Reports**

Most of these are provided in order to enable a third party to make a decision and contain no therapeutic care. When this is the case then any charge made is viewed as taxable.

Some examples of circumstances where report charges are taxable

- Compensation claims.
- Benefits claims.
- Registration as blind/disabled to get entitlement to certain services.
- DVLA fitness to drive .
- Fitness to take up a particular profession or sporting activity.

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Some examples of circumstances where report charges are exempt

- Sick notes.
- Certain reports as part of adoption procedures.
- Reports under the 'exercise on prescription' scheme.
- Post employment fitness, such as persuading an employer that a patient should not undertake heavy lifting because of a back problem.

Note that the primary purpose of the exempted report charges is to safeguard the health of the patient. This is different to the taxable report charges which are primarily concerned with providing information to enable third party decisions.

Where a report contains elements of both then it will be necessary to form a judgement based on what the primary purpose of the report is.

### **Cosmetic Services**

These need to be assessed on their individual merits. If provided as part of a healthcare treatment programme then any charges would be exempt. However the charges would be viewed as taxable if the service is purely provided for cosmetic reasons.

### **Education Services**

Education services may also be covered by certain 'education' exemptions. VAT notice 701/30 deals with these in more detail.

Generally lectures provided by a sole practitioner or a GP within a partnership, and relating to a medical training course, continuing professional development or training for first aiders, will be exempt as a supply of private tuition.

Presentations for health promotion will be exempt since this is provided for the health benefit of those in attendance.

A presentation to a non-medical audience on the latest medical developments would be taxable. There is no direct health benefit to attenders.

### **Family Planning**

Counselling, contraception and sterilisation, including reversals, are all exempt.

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## **Forensic Work**

Since the prime purpose of the role is to assist the medical needs of the victim/perpetrator then the service is treated as exempt.

Charges made for a statement/report provided at a later date would be viewed separately and would be taxable.

## **Insurance Services**

Where work undertaken for insurance companies is related to the protection, maintenance or restoration of the health of a patient, then this is an exempt service.

For example:

- Health screening.
- Income/credit protection insurance – where the policyholder is ill (rather than lost job).
- Motor insurance – where the object is to assist the motorist back to full health/work.

In addition there are currently exemptions available for certain insurance related services under the insurance exemptions.

So charges made for medical reports that are in connection with bringing parties together to a contract of insurance, administration of policies, or handling claims under insurance contracts are treated as exempt.

If medicals or reports are provided to insurance companies purely for the purpose of valuing policies for tax reasons then they are to be treated as taxable.

## **Medico-Legal Work**

Medicals, reports and expert witness testimony for the judicial system are to be treated as taxable. The prime purpose of such work is to enable the court to make a decision.

Any allowances paid to cover costs would also be taxable.

For an exception to this please see the Statutory Services section.

## **Mental Health Tribunals**

The purpose of such tribunals is to enable a decision to be reached over detaining a patient under the Mental Health Act. Since the principal purpose of this is to assess and treat a condition of the patient then services provided will be exempt.

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### **Occupational Health – employment medicals**

Pre-employment medicals are primarily used in helping a prospective employer to take a decision on recruitment. Therefore charges for these are taxable.

Post-employment medicals that have the principal purpose of protecting the health of individual would be exempt. So reports on an existing employee's medical suitability for proposed work activities would be exempt.

This would not include a medical undertaken to determine whether a person can join a pension scheme. Since this is to enable a third party to take a decision any charge would be taxable.

### **Occupational health – in-service health screening**

All cases would need to be considered on their own merits, but generally these are likely to have the principal purpose of protecting an individual's health and so would be exempt.

### **Occupational Health – risk assessments**

These are not generally undertaken by health professionals in the exercise of their professions and so would be viewed as taxable.

### **Occupational Health – training and advice**

This is likely to be for the purpose of maintaining the good health of the company's employees, and on that basis would be viewed as exempt.

### **Rehabilitation Services**

These would usually be exempt. However reports commissioned by lawyers to help them assess the additional costs of the disability would be in relation to compensation and would therefore be taxable.

### **Statutory Services**

Where a doctor is compelled by statute to provide a service then charges made for this in line with the statute would be outside the scope of VAT.

If the service is not compelled by statute then the VAT treatment would depend on the principal purpose of the work.

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Some instances of statutory services are as follows:

- Issuing a death certificate under Section 22 of the Births & Deaths Registration Act 1953. No fee is charged for this so there is no supply at all.
- Issuing a certificate to the local authority under Section 11 of the Public Health (Control of Disease) Act 1984.
- Carrying out a post mortem under Section 19 of the Coroners Act 1998.
- Providing professional evidence at the request of the High Court under the Supreme Court Act 1981.

One to be aware of is doing paternity testing under the Blood Test (Evidence of Paternity) Regulations. Doctors are not obliged by statute to provide these services, although the level of charge is set by statute. Since the supply does not satisfy the general medical exemption any fees charged are to be treated as taxable.

### **Cremation Fees**

The area of cremation fees is not discussed within the guidance available from Customs. We believe that GPs will need to consider whether or not they are statutorily compelled to carry out the service. If this is the case then any fee charged will be outside the scope of VAT.

If a GP is not statutorily compelled then consideration of the underlying principles is required. Our interpretation of these would be that the income is taxable.

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