

## **Policy 42 VAT on Care Costs**

**Owner: ILF Scotland**

**Subject: VAT on Care Costs**

**Version: 1.0**

**Last Amended: 1 July 2015**

**Date Reviewed:**

**Next Review: 1 May 2015**

### **1.0 Background**

The Value Added Tax Act 1994 (applicable across the UK) exempts the supply by a state-regulated private welfare institution of care, designed to promote the physical or mental welfare of disabled persons, from VAT. This does not include the supply of accommodation or catering except where it is ancillary to the provision of care.

It is an offence under the Regulation of Care (Scotland) Act 2001, the Public Services Reform (Scotland) Act 2010 and The Health and Personal Social Services (Quality, Improvement and Regulation) (Northern Ireland) Order 2003, to carry on or manage a domiciliary care agency without being registered with the relevant regulatory body.

### **2.0 Policy**

ILFS will not reimburse a user for any VAT charged by a domiciliary care agency in respect of the care they provide, as all domiciliary care providers must be registered with the relevant regulatory body and should therefore be exempt from VAT.

#### **2.1 Introduction Agencies**

Where a user is being charged VAT by a care agency, we should first establish whether the agency is a provider or an introducer, if the agency is just an introducer VAT will still be charged and ILFS should reimburse this cost accordingly.

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### **3.0 Procedure**

ILFS will only agree to pay towards care and support provided by registered agencies.

Where a user is being charged VAT by an agency, clarification should be sought as to which services VAT is being charged for. If the charge is not in relation to the provision of care, and ILFS have agreed to fund the service against which VAT is being charged, the VAT should also be paid.

### **4.0 Source**

Value Added Tax Act 1994

The Value Added Tax (Health and Welfare) Order 2002

Regulation of Care (Scotland) Act 2001

Public Services Reform (Scotland) Act 2010

### **5.0 Cross References**

Agency Care

### **6.0 History Date Reviewed**

**1 July 2015**