

## Care Homes

*Customs Business Brief 05/05*

### Summary

Customs have changed their policy concerning the date from which commercial providers of welfare services (such as domiciliary care agencies) are required to exempt their services.

### Background:

Welfare services provided by a charity, a public body or a state regulated private welfare institution or agency are exempt from VAT.

State regulated private welfare institutions and agencies were required to exempt their supplies of welfare services from 1 April 2003. (The term 'state regulated' relates to the obligation under social care legislation for providers of certain care and welfare services to register with and be regulated by national bodies established for the regulation and inspection of care services).

Customs had previously announced that a supplier of welfare was state regulated from the first date on which it was registered with/or regulated by the Commission for Social Care Inspection or their equivalents in Wales, Scotland & N Ireland.

Customs now accept that a welfare provider is not state regulated until its registration has been approved by the relevant national body for the regulation and/ or inspection of care. **Until approval is received the provider is not REQUIRED to exempt welfare services.**

### Practical implications

Commercial suppliers may choose to treat welfare supplies made between 1 April 2003 and the date from which they became state regulated as taxable. VAT will be due on all such supplies and the input tax attributable to those taxable supplies may also be reclaimed. If an agency was not VAT registered at the time of making those supplies, it will need to become Vat registered to account for the tax due and the input tax recoverable.

*This is particularly favourable to care homes supplying their services to local authorities. Local authorities will be able to reclaim any input VAT charged to them. VAT on general running costs and on capital works projects will now be recoverable. You are strongly advised to contact 4 Eyes Ltd, if this may apply to your business.*