

FINANCE ACT 2014

EXPLANATORY NOTES

INTRODUCTION

Section 107: VAT: Refunds to Health Service Bodies

Summary

1. The Care Act 2014, if passed, will introduce two new NHS bodies: Health Education England and the Health Research Authority. This section adds these new bodies to the list of bodies within the definition of Government departments which may claim refunds of the VAT they pay on certain goods and services.

Details of the Section

2. The section amends section 41(7) of the Value Added Tax Act 1994 to add Health Education England and the Health Research Authority to the list of bodies to be regarded as persons exercising functions on behalf of a Minister of the Crown.

Background Note

3. Section 41(3) provides that a Government department may claim a refund of the VAT it pays on certain goods and services, if and to the extent that the Treasury so directs. This is to ensure that VAT is not an obstacle to the contracting out of activities to the public and voluntary sectors.
4. Section 41(6) provides that “Government department” includes “any body of persons exercising functions on behalf of a Minister of the Crown”. For the purposes of subsection (6) bodies listed in subsection (7) are to be regarded as a body of persons exercising functions on behalf of a Minister of the Crown”.
5. The bodies named in section 41(7) are NHS bodies.
6. The Care Act 2014 will – if passed - establish the NHS bodies referred to in the section.
7. This measure ensures that the bodies referred to in the section may reclaim the VAT they pay on certain goods and services as provided for in section 41(3).