

EXPLANATORY MEMORANDUM TO
THE VALUE ADDED TAX (ZERO RATE FOR PERSONAL PROTECTIVE
EQUIPMENT) (CORONAVIRUS) ORDER 2020

2020 No. 458

1. Introduction

- 1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs (HMRC) on behalf of Her Majesty's Treasury and is laid before the House of Commons by Command of Her Majesty.
- 1.2 This memorandum contains information for the Select Committee on Statutory Instruments.

2. Purpose of the instrument

- 2.1 This instrument introduces a temporary Value Added Tax (VAT) relief for the supply of personal protective equipment (PPE) in response to the coronavirus health emergency. The relief is in the form of a zero rate for supplies of PPE for use for protection from infection for a period of three months from 1 May 2020 to 31 July 2020. This will remove the burden of VAT on those sectors that need to buy these essential health and social care products in a time of crisis in the United Kingdom (UK).

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 The 21-day rule which, by convention, requires that a statutory instrument should generally be laid at least 21 days before it is due to come into force is breached on this occasion. The reason for the breach is the urgent nature of the matter and the necessity to bring the tax relief into effect at the earliest opportunity. It is a temporary tax relief that addresses a particular and urgent need to remove the burden of tax on essential healthcare products at a time when such products are most needed.

Matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business (English Votes for English Laws)

- 3.2 As the instrument is subject to the negative resolution procedure, there are no matters relevant to Standing Orders Nos. 83P and 83T of the Standing Orders of the House of Commons relating to Public Business at this stage.

4. Extent and Territorial Application

- 4.1 The territorial extent of this instrument is the whole of the United Kingdom.
- 4.2 The territorial application of this instrument is the whole of the United Kingdom.

5. European Convention on Human Rights

- 5.1 The Financial Secretary to the Treasury, the Rt Hon Jesse Norman MP, has made the following statement regarding Human Rights:

“In my view the provisions of the Value Added Tax (Zero Rate for Personal Protective Equipment) (Coronavirus) Order 2020 are compatible with the Convention rights.”

6. Legislative Context

- 6.1 Section 30 of the Value Added Tax Act 1994 (VATA) provides that certain supplies of goods or services shall be subject to a zero rate of VAT. This is a tax relief meaning that the business who sells is not required to charge VAT on the relevant supplies and the business or person who buys those items is not required to pay any VAT on those transactions. The supplies that are subject to this VAT relief are described in Schedule 8 to VATA.
- 6.2 Section 30(4) of VATA confers a power on the Treasury to add to, delete or vary the description of the supplies that are described in Schedule 8. That schedule is divided into a number of groups containing a description of the supplies attracting the zero rate relief within different categories of business activity. This instrument adds a new category in the form of a new Group 20 covering the supply of PPE, of a type recommended in guidance published by Public Health England dated 24th April 2020, in relation to the coronavirus health emergency.
- 6.3 The guidance published by Public Health England is available alongside the Tax Information and Impact Note covering this instrument published on the government website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. A hard copy may also be obtained free of charge by contacting the HMRC helpline on 0300 200 3700 or by writing to HM Revenue and Customs – VAT Written Enquiries, 123 St Vincent Street, Glasgow City, Glasgow G2 5EA.
- 6.4 Schedule 8 is also being amended by a separate instrument, the Value Added Tax (Extension of Zero-Rating to Electronically Supplied Books Etc.) (Coronavirus) Order 2020 (SI 2020/459) also to come into force on 1 May 2020. Given the urgency associated with this instrument, it was not possible to combine the two instruments. However, they concern different provisions of Schedule 8 and as such this approach is not expected to result in additional cost or cause confusion to taxpayers.

7. Policy background

What is being done and why?

- 7.1 The temporary relief is being introduced as an urgent response to the coronavirus emergency. It will relieve businesses, particularly in the healthcare and residential care sectors, of the burden of tax on essential infection protection equipment needed by front line workers, to deal with the emergency.
- 7.2 This will be particularly important for sectors that cannot currently recover VAT on such goods, because of their VAT exempt status. The relief is specifically provided to meet these health and social care objectives and transactions will only attract the relief if they are for the supply of products recommended by the UK government for use in connection with protection from infection during the coronavirus health emergency. The relief does not extend to protective equipment of a general nature for use in other areas of activity.

7.3 The tax relief will immediately assist businesses who need to buy significant quantities of PPE by mitigating the financial effects of the coronavirus health emergency.

8. European Union (Withdrawal) Act/Withdrawal of the United Kingdom from the European Union

8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

9.1 This instrument makes amendments to Schedule 8 to VATA and there are no plans to consolidate the legislation at this time.

10. Consultation outcome

10.1 As the Government has decided to implement this as an emergency measure in response to the COVID-19 crisis, it has not been possible to consult in the time available.

11. Guidance

11.1 The changes made by the instrument will be reflected in published HMRC guidance by way of [VAT Notice 701/57](#) and the [VATHLT](#) series of guidance by 6 May 2020.

12. Impact

12.1 The impact on business, charities or voluntary bodies is that they will no longer be charged VAT on their purchases of qualifying PPE. Currently some entities may not be able to recover VAT on these purchases due to their exempt VAT status.

12.2 The impact on the public sector is that they will no longer be charged VAT on their purchases of qualifying PPE.

12.3 A Tax Information and Impact Note covering this instrument will be published on the government website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

13. Regulating small business

13.1 The legislation applies to activities that are undertaken by small businesses. Small businesses that purchase this PPE will benefit from not paying VAT. Currently, some of those businesses may not be able to recover VAT on PPE, due to their exempt VAT status. The main costs are expected to include familiarisation with the new rules and their application, but these are expected to be negligible.

13.2 To minimise the impact of the requirements on small businesses (employing up to 50 people), the approach taken is to ensure that there is sufficient guidance available for businesses to make the changes and benefit from the tax relief.

13.3 The basis for the final decision on what action to take to assist small businesses is that the measures introduced by this instrument will benefit such businesses and public guidance will enable them to be aware of and apply the tax relief.

14. Monitoring & review

- 14.1 These changes will be kept under review depending on the progress of the coronavirus health emergency. It is a temporary measure intended to relieve businesses from the burden of VAT for a limited period. The relief will come to an end on 31 July 2020.
- 14.2 The instrument does not include a statutory review clause because it relates to tax and therefore meets the requirements of the exemption set out in section 28(3)(a) of the Small Business, Enterprise and Employment Act 2015 because the power by which this instrument is made is being exercised so as to make or amend provisions imposing, abolishing, or varying any tax, duty, levy, or other charge or provisions in connection with such provisions.

15. Contact

- 15.1 Email: ppe@hmrc.gov.uk
- 15.2 Ian Broadhurst, Deputy Director, Indirect Tax Directorate at HMRC, can confirm that this Explanatory Memorandum meets the required standard.
- 15.3 The Rt Hon Jesse Norman MP, Financial Secretary to the Treasury, can confirm that this Explanatory Memorandum meets the required standard.