

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

**2020 No. 698**

**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 (HMT) and is laid before the House of Commons by Command of Her Majesty.

**2. Purpose of the instrument**

- 2.1 This Order amends Group 20 of Schedule 8 to the Value Added Tax Act 1994 (VATA). Its purpose is to extend the temporary value added tax (VAT) relief for the supply of personal protective equipment (PPE) which was introduced in response to the coronavirus pandemic. The relief is in the form of a zero rate for supplies of PPE for use for protection from infection. This order extends the date on which the temporary relief expires from 31 July 2020 to 31 October 2020 because of the ongoing impact of the coronavirus pandemic.

**3. Matters of special interest to Parliament**

*Matters of Special Interest to the Joint Committee on Statutory Instruments*

- 3.1 None.

*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 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) (Extension) (Coronavirus) Order 2020 are compatible with the Convention rights.”

**6. Legislative Context**

- 6.1 Section 30 of 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 which

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. The government introduced a temporary zero rate relief for PPE by means of Treasury Order titled the Value Added Tax (Zero Rate for Personal Protective Equipment) (Coronavirus) Order 2020 (the original Order)<sup>1</sup>. The original Order came into force on 1 May 2020 and inserted a new Group 20 in Schedule 8 to VATA. The relief was due to expire on 31 July 2020. This Order extends the expiry date to 31 October 2020. The extension of the expiry date is done by making an amendment to Item 1 of Group 20. The explanatory memorandum for the original Order was published in the website for the National Archives and can be viewed at <http://www.legislation.gov.uk/ukxi/2020/458/memorandum/contents>. In addition to the zero-rate relief the inclusion of PPE in Schedule 8 to VATA also has effect for the relief of import VAT and acquisition tax in relation to those goods. This occurs as a result of section 30(3) of VATA. All these reliefs will now continue until 31 October 2020.

## **7. Policy background**

### *What is being done and why?*

- 7.1 The temporary relief was introduced as an urgent response to the coronavirus pandemic. It was introduced to 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 pandemic.
- 7.2 The relief has been of particular benefit for sectors that cannot recover VAT on such goods, because of their VAT exempt status. The temporary relief has been specifically provided to meet these health and social care objectives. Transactions 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 pandemic.
- 7.3 The relief immediately assisted business who needed to buy significant quantities of PPE by mitigating the financial effects of the coronavirus pandemic.
- 7.4 Extending the period in which the temporary relief has effect is a necessary response to the continued coronavirus pandemic, it will continue to benefit businesses and individuals who need to purchase and sell PPE to deal with the pandemic.

## **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.

---

<sup>1</sup> S.I. No. 2020/458 <http://www.legislation.gov.uk/ukxi/2020/458/contents/made>.

## **10. Consultation outcome**

- 10.1 No formal consultation process has been carried out but businesses (including care homes) which have been active in coping with the impact of the coronavirus pandemic have informed the government that the relief is welcome and have requested that it should continue.

## **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 31 July 2020.

## **12. Impact**

- 12.1 The impact on business, charities or voluntary bodies is that they will continue to benefit from the VAT relief on their purchases of qualifying PPE until 31 October 2020.
- 12.2 The impact on the public sector is that they will continue to benefit from the VAT relief on their purchases of qualifying PPE until 31 October 2020.
- 12.3 A Tax Information and Impact Note covering this instrument was published on 30 April 2020 alongside the Value Added Tax (Zero Rate for Personal Protective Equipment) (Coronavirus) Order 2020 (S.I. 2020/458) and is available on the website at <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>. It remains an accurate summary of the impacts that apply to this instrument.

## **13. Regulating small business**

- 13.1 The legislation applies to activities that are undertaken by small businesses. Small businesses that purchase qualifying PPE will continue to benefit from not paying VAT.
- 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 continue to 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 The approach to monitoring this legislation is to continue to keep the temporary relief under review in relation to the progress of the coronavirus pandemic. It is a temporary measure that has relieved businesses from the burden of VAT for a limited period. As a result of ongoing monitoring, the government considers it appropriate to extend the relief until 31 October 2020.
- 14.2 The relief will continue to be kept under review depending on the progress of the coronavirus pandemic.
- 14.3 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 HMRC Email: [ppe@hmrc.gov.uk](mailto:ppe@hmrc.gov.uk) can be contacted with any queries regarding this instrument.
- 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.