

TAXREP 4.01

VAT AND HOMECARE

***Text of a letter sent in March 2001 to Customs by the Tax Faculty of the
Institute of Chartered Accountants in England and Wales in response to an
invitation to comment issued in February 2001***

VAT AND HOMECARE DRAFT ESC

1. We welcome the opportunity to comment on the draft extra-statutory concession published on your web site.
2. We are pleased with the thrust of the ESC which lessens the cost of homecare services for recipients.
3. As the ESC stands, it can be understood by VAT specialists but not by lay people. We consider that this ESC should be able to be understood by very small businesses which may be unregistered for VAT, recipients of the homecare services and carers. Therefore it is important that it should be drafted in plain English and should be self explanatory.
4. We therefore recommend that the terms ‘employment costs component’, ‘published guidance by Customs’ and ‘Schedule 9 to the Value Added Tax Act 1994’ should be expanded and explained so that a normally-intelligent reader does not have to refer elsewhere.
5. We suggest also that the following points should be explained in the ESC:
 - in paragraph 2 that the total value of the supply will still count towards the VAT registration limit;
 - the reason for paragraph 3 concerning local authorities, charities, etc. We presume that this is to discourage bodies which cannot recover VAT from providing funds to the individual which are used to make the payment. An explanation of the reason would clarify the point; and
 - in paragraph 7, the meaning of ‘resident’ which we consider should be expanded. An elderly person who goes into hospital or a nursing home for say a month may still need some services at home, such as cleaning. We suggest that the concession should explain that whilst it is not intended to extend to agency services supplied to an individual in an institution, services at home can still be covered by the concession for so long as there is the reasonable expectation that the recipient will return to that home.

14-69-82

PCB

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