

The 2008 Budget includes a provision withdrawing, from 1st April 2009, a concession allowing “staff hire” businesses to exclude the wages element from the supplies they make, and to charge VAT only on their profit margin.

This has given rise to a concern that claimants who hire their carers through an agency may face a significant rise in their costs, leaving those whose claims have been settled with insufficient means, or those still in litigation with an additional future loss to recover.

However, following consultation with HM Revenue & Customs, we have received confirmation that such concerns should, in the vast majority of personal injury and clinical negligence cases, be ill-founded.

Put simply, “welfare services”, when supplied by a state-regulated care agency, are exempt from VAT.

Welfare services include:

- personal or nursing care;
- general assistance and support with everyday tasks;
- certain routine domestic tasks;
- counselling;
- looking after or supervising vulnerable people;
- support or instruction designed to develop or sustain a person’s capacity to live independently in the community;
- protection, control, guidance or companionship that is required to meet an individual’s personal or domestic needs; and
- residential care, including accommodation, board and other services provided to residents as part of a care package.

State-regulated care agencies include charities, public bodies and private welfare institutions or agencies regulated by one of the following:

- Commission for Social Care Inspection.
- Scottish Commission for the Regulation of Care.
- Care Standards Inspectorate for Wales.
- Northern Ireland Personal Social Services Regulation and Improvement Authority.

For further details, please refer to HMRC Public Notice 701/2 “Welfare”, dated February 2007.

Ian Gunn.

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