

HM Treasury
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By email: HMTVATandExcisePolicy@hmtreasury.gov.uk

Dear Sir/Madam

The BMA (British Medical Association) is an apolitical professional association and independent trade union, representing doctors and medical students from all branches of medicine across the UK and supporting them to deliver the highest standards of patient care. The Association welcomes the opportunity to provide comments on the 'VAT and the Public Sector: Reform to VAT refund rules' consultation.

The BMA agrees that public sector organisations, including NHS bodies, should not have to use public funds for VAT, when private businesses are able to reclaim that VAT. The current procedures for NHS organisations to re-claim VAT are complex and overly bureaucratic. Therefore, any changes to simplify these rules are welcome. Reducing complexity could also have the side benefit of helping NHS organisations to save money on independent consultants advising them on VAT issues.

The Full Refund Model appears to widen the scope of VAT refunds to other organisations that NHS Trusts would find it attractive to purchase inputs from, particularly other public sector organisations, such as neighbouring Trusts. At the moment we are facing the perverse situation where it is cheaper for a trust to ask a private provider to help with clearing its hip operation waiting list compared to a neighbouring trust that would have capacity to help, as it can reclaim VAT from engaging the former but not the latter.

It is helpful that the proposals appear to address this, given concerns about the efficacy and cost effectiveness of private providers of NHS services, with poor outcomes and value for money often being delivered^a. For example, millions of pounds were wasted when Cambridgeshire and Peterborough Clinical Commissioning Group outsourced provision of care for older and mentally ill people in Cambridgeshire to Uniting Care Partnership LLP. Due to poor planning and underestimates of the running costs, the contract was terminated, ultimately wasting the NHS £8.9 million^b.

Due to cases such as this, it is crucial that NHS Trusts, who are under significant financial pressure due to long-term budget cuts, are not swayed to turn to private providers due to perceived cost savings. Trusts should not be penalised for purchasing public sector inputs.

^a BMA (2020) [The role of private outsourcing in the COVID-19 response](#)

^b NAO (2016) [Investigation into the collapse of the UnitingCare Partnership contract in Cambridgeshire and Peterborough](#)

It is also important that any benefits of this proposed model to public sector organisations are extended to the whole of the NHS, including GP practices and Primary Care Networks. As these would not be covered by the proposed model, the BMA calls for additional consideration and future plans to remove any barriers for primary care organisations in reclaiming VAT.

It is crucial that the Full Refund Model does not result in less NHS funding through a reduction in Department of Health and Social Care revenue budgets, due to an increase in VAT claims. The NHS has faced long-term underfunding and is now more than ever in need of a funding boost to help it cope with increasing demand and to modernise services. Taking money away from the NHS as it battles to keep the public safe during a global pandemic would be wholly inappropriate.

Yours sincerely

Lena Levy

Head of Public Health and Healthcare

British Medical Association