

**Friday 19 February 2016**

**Issue 7**

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## GPC meeting

The GPC held its meeting on Thursday 18 February and this newsletter provides a summary of the main items discussed.

## GP contract 2016/17 - England

At yesterday's GPC meeting, the committee voted to accept limited changes to the GP contract in 2016/17. This in no way detracts from the GPC's mandate from the recent special conference to hold the government to account with an ultimatum to deliver a rescue package for general practice.

The contract changes for 2016/17 are far fewer than in previous years, and in keeping with two key resolutions passed at the special conference in January; to minimise the disruption of annual contract changes to practices and that the reimbursement of GP expenses must be properly funded. This agreement provides for increased core resources and reimbursement of expenses to an extent not achieved in recent years, and should help support practice financial pressures. The headline agreed changes are:

- A £220m investment of new funding in the contract – more than double that last year – and seven times greater than in 2014/15
- Recognition of GP expenses, which for the first time has taken account of individual components that include rises in Care Quality Commission (CQC) fees, indemnity costs, national insurance contributions, superannuation and increased utility and other charges
- An intended 1% net pay uplift
- A 28% increase in vaccination and immunisation fees from £7.64 to £9.80
- Ending of the imposed dementia enhanced service, therefore reducing the workload and bureaucracy of this flawed scheme, and with resources going into global sum
- No new clinical workload requirements and no changes to QOF indicators or thresholds
- A commitment from NHS England to explore a national strategy to manage demand through self-care and appropriate signposting of patients to services



- A commitment to explore ending QOF and the Avoiding Unplanned Admissions enhanced service in 2017/18

Full details [are available on the GPC homepage](#).

## The fightback of UK general practice is underway

In his most recent [newsletter](#), GPC chair, Chaand Nagpaul reports back on the LMCs special conference and outlines the profession's ultimatum to the Government to work with GPs to deliver an [Urgent Prescription for General Practice](#), or suffer the consequence of being bereft of a GP service to meet the needs of the population. Read Chaand's [newsletter](#).

The first phase of the BMA campaign, [Urgent Prescription for General Practice](#), was launched earlier this month, in direct response to calls at the 2015 annual representative meeting for a campaign to highlight the pressures on general practice. This campaign is very much about sending concurrent local and national messages to the Government, to press for urgent action to stabilise general practice and provide the basis for a sustainable service for patients in the future. You can read more about the [campaign](#), in Chaand's [newsletter](#) and also on the [BMA website](#).

Show your support and sign up to the [campaign thunderclap](#) to view, and tweet at [#gpincrisis](#) or use the [#gpincrisistwibbon](#) to share infographics and further information about the campaign. You can also [find out more](#) about the issues and potential solutions debated at special conference.

## Releasing capacity in general practice roadshows - England

GPC will co-host a series of GP workshops with NHS England, looking at ways to reduce unnecessary workload and increase capacity in general practice. These workshops will run from 24 February and throughout March. For the full list of dates, [please visit the NHS England website](#).

Due to high demand, NHS England recently added three additional dates:

23 March, Leeds

30 March, Birmingham

31 March, Brighton

[You can register on the NHS England website](#).

### Contact Name and email address for any queries:

Please email [england.gpaccess@nhs.net](mailto:england.gpaccess@nhs.net) for further information and to register for your free place. Places are limited and these workshops are expected to fill up fast.

## Zika guidance for primary care

Zika virus guidance for primary care has now been published on the [Public Health England website](#), as well as on the [BMA website](#).

This is joint guidance between PHE, the BMA and RCGP and gives information and advice for practices when approached by patients who have travelled, or may be planning to travel to affected countries, and focuses on risks for pregnant women.

Further information about the Zika virus and countries affected is [available on the PHE website](#).

## VAT

The GPDF has been asked to seek advice on the VAT position of GPs working for CCGs. This has been drafted by a VAT specialist at Greenback Alan LLP, a copy of that guidance is an appendix.

In its covering letter Greenback Alan's specialist states the following:

- The VAT liability in the notes was agreed with Mr. M Barlow of HM Revenue a Customs, NHS team and can now be issued to GPs. If any of the GPs have any questions, they should discuss these with their present advisors.
- I would stress that GPs should now check whether or not they are required to register for VAT. Any belated VAT registration could be subject to a penalty. However, Mr. Barlow stated that he would deal with this issue

and intervene if any penalties are levied. I would suggest that any belated VAT registration applications are submitted within the next few months.

- If however, after receiving the guidance notes a GP does not check their VAT position and are subsequently subject to an HMRC inspection, penalties will automatically be applied and Mr. Barlow may not be able to assist.
- Finally, if VAT is due to HMRC, I do not foresee any problems in a GP requesting time to pay pending payment of the VAT from the CCG.

The BMA, GPC and GPDF are unable to give individual taxation advice. LMCs will wish to ensure that the guidance is disseminated with advice that practices and doctors should obtain professional advice.

## **New referral system of medical suitability of gun owners – England, Scotland and Wales**

A safer system for firearms licensing is being introduced in April to improve information sharing between GPs and police and to reduce the risk that a medically unfit person may have a firearm or shotgun certificate. At present, the police usually only contact an individual's GP before the issue of the certificate if the applicant has declared a relevant medical condition. After the certificate is granted there is no reminder system to inform the GP that the patient they are seeing is a gun owner.

### **From 1 April 2016:**

- **Police will ask every firearm applicant's GP if the patient suffers from specific health issues, such as depression or dementia.**
- **GPs will be asked to place a firearm reminder code on the patient's record.** This means the GP will know the person is a gun owner, and they can inform the police licensing department if the patient's health deteriorates after the gun licence is issued.
- **New guidance will be published to help GPs and police operate the new system.** Responsibility for deciding if a person is suitable to hold a firearm certificate remains with the police.

The new system was developed after the BMA raised concerns about weaknesses in the current process with the Home Office. It has been developed by the BMA, RCGP and the police, in conjunction with shooting associations and the Information Commissioners Office.

## **DLA is ending advert to be shown in surgeries – England, Scotland and Wales**

Disability Living Allowance (DLA) is ending for people who were born after 8 April 1948 and are aged 16 or over. DWP is writing to DLA claimants to ask if they wish to make a claim for Personal Independence Payment.

A DLA is ending advert is being shown via screens in GP surgeries and hospitals. This advert is to raise awareness that DLA is ending and to make sure that patients in receipt of DLA know what to do next.

The advert is being shown in over 1,500 sites across England, Scotland and Wales. It will run until 4 March.

To find out more about the DLA ending and Personal Independence Payment (PIP) visit: [www.gov.uk/dla-ending](http://www.gov.uk/dla-ending)

### **Effect on GPs / action required**

GPs will be asked to provide further medical evidence in the normal way for DLA claimants for individuals who decide to claim PIP.

GPs may receive enquiries from patients currently on DLA who have received a letter or heard that the DLA is ending.

## **LMC observers at GPC meetings**

LMC observers are welcome to attend GPC UK meetings. If your LMC would be interested in sending an observer to a GPC meeting, please contact Michelle Palmer ([mpalmer@bma.org.uk](mailto:mpalmer@bma.org.uk)) and we will try to find a suitable date. Please note that a maximum of three LMC observers may attend any one meeting.

Please also note that all travel and other expenses for LMC observers must be met by the relevant LMC.

The meeting dates for 2015/16 are as follows. Meetings begin at 10am and usually finish by 5pm (where subcommittees are held, GPC meetings will finish at 1pm).

- 17 March 2016, BMA House (subcommittees in the afternoon)
- 21 April 2016, BMA House
- 16 June 2016, BMA House (subcommittees in the afternoon)

Meetings are held at BMA House, Tavistock Square, London WC1H 9JP.

### **LMC access to the BMA website**

It has been drawn to our attention that some LMCs may be having difficulty accessing the BMA website. All LMCs do have access but need to use the login details registered for submitting conference motions. This may, however, be an individual's email address, registered to input conference motions only.

If you wish to create an office account, using the office email address as part of your login and a password that everyone can use, or if you are unsure of your current login details and password, please email Karen Day at [kday@bma.org.uk](mailto:kday@bma.org.uk) and she will email you your relevant information.

### **LMCs – change of details**

If there are any changes to LMC personnel, addresses and other contact details, please can you email Karen Day with the changes at [kday@bma.org.uk](mailto:kday@bma.org.uk).

**The GPC next meets on 17 March 2016 and LMCs are invited to submit items for discussion. You may like to review these, beforehand, with the representatives in your area who serve on the GPC. The closing date for items is 8 March 2016. It would be helpful if items could be emailed to Michelle Palmer at [mpalmer@bma.org.uk](mailto:mpalmer@bma.org.uk). You may also like to use the GPC's listservers to exchange views and ideas.**

#### **GPC News**

LMCs are reminded that their regional representatives can provide more detailed information about the issues covered in GPC News, and other matters. Other members of the GPC would also be pleased to accept invitations to LMC meetings wherever possible. Their names and addresses are in the GPC Yearbook. The secretariat can also provide a written background brief if required, but it would be helpful to have such requests well in advance of your meetings.

Finally, if LMCs require assistance on local issues, they can also contact the BMA's local offices: addresses are on page 3 of the GPC's yearbook.

This newsletter has been sent to:

Secretaries of LMCs and LMC offices  
Members of the GPC  
Members of the GP trainees subcommittee  
Members of the sessional GPs subcommittee



## **VAT Guidance for General Practitioners**

**GREENBACK ALAN LLP**  
**November 2015**

# VAT Guidance for General Practitioners (GPs) involved in Clinical Commissioning Group Contracts

## Background

As you are aware Primary Care Trusts (PCTs) were abolished with effect from 31 March 2013 and were replaced by Clinical Commissioning Groups (CCGs). CCGs are statutory bodies similar to PCTs and all General Practitioner (GP) practices in England are members of a CCG. The CCGs are responsible for designing local health services and they do this by commissioning or buying in health and care services.

With effect from 1 April 2013, the CCGs formed boards and seconded GPs to become office holders and have issued contracts to GP's for specialist services. CCGs have been granted the same VAT status as PCTs under the Finance Act 2013 which entitles them to reclaim VAT incurred under certain conditions as laid out in section 41 of VATA 1994.

## VAT Basic Principles

UK VAT is a tax levied on the supply of goods and services made in the UK (or deemed to be made in the UK) by a taxable person in the course or furtherance of an economic activity.

Certain supplies fall outside the scope of VAT and certain supplies are specifically exempted from VAT. Unless a supply falls outside the scope of VAT or is exempt from VAT then it will be subject to VAT at the standard rate (currently 20%), the reduced rate (currently 5%) or the zero rate of VAT. Supplies made that are subject to VAT at any of these rates are referred to as "taxable supplies".

It is very important to differentiate between the zero rate of VAT and supplies that are exempt from VAT as there is a common misconception that these are one and the same. Supplies at the zero rate are considered to be taxable supplies for VAT purposes, albeit they are taxable at 0% and VAT incurred in connection with making these supplies is recoverable. Whereas VAT incurred in connection with making onward exempt supplies normally cannot be recovered.

Generally speaking, the predominant supply of health care provided by GP practices is exempt from VAT but most practices also make other supplies that are taxable and supplies that are outside the scope of VAT.

The aim of this guidance is to address the VAT implications of the change from PCTs to CCGs and advise on the VAT liability of supplies made by GPs under the new arrangements.

This guidance is designed in Q and A format to enable GPs to refer only to sections relevant to their individual circumstances.

## **Specialist advisory or other services supplied by GPs to CCGs**

Services supplied to the CCGs by the GPs, which are non clinical under the new arrangements are not healthcare services which are exempt from VAT but are considered to be taxable supplies of special projects which are not healthcare.

Previously, some GPs were paid by the PCTs for their involvement in Practice Based Commissioning (PBC) activities. The involvement of the GP in PBC initiatives was entirely voluntary and could be initiated by the GP or by the PCT requesting the GP to consider particular ideas for improved healthcare delivery. There was no actual contract for services under this arrangement.

HMRC confirmed that the payments received by GPs for their involvement in PBC initiatives were considered to be compensation paid to the GPs for any financial loss suffered by the GP and his/her practice whilst the GP was assisting with PBC. For example, the GP practice may have hired a locum doctor to replace the absent GP. Compensation payments are outside the scope of VAT as they are not deemed to be consideration for a supply of services.

The advisory services supplied to the CCGs by the GPs under the new arrangements are provided under a contract for services (work stream) and are not provided on a voluntary basis albeit GPs will volunteer in the first instance. HMRC have confirmed that the payments made under these contracts are deemed to be consideration for a supply and are not considered to be compensation. On this basis, the payments do fall within the scope of VAT and are subject to VAT at the standard rate (subject to the VAT registration rules).

- 1. I am a GP and have been appointed as a board member/office holder of a CCG and, in accordance with HMRC guidelines Section 5 ITEPA 2003, I am being paid on a PAYE basis. An extract of HMRC guidance is at Appendix 1. How does VAT affect me?**

A GP being paid by the CCG as a board member/office holder is deemed by HMRC to be an employee of the CCG. The services supplied by the GP are, therefore, outside the scope of VAT. There are no VAT implications for the GP.

- 2. I am an individual GP and have been awarded a project to supply services (work stream) to a CCG. How does VAT affect me?**

Project services supplied by a GP to the CCG fall within the scope of VAT and are subject to VAT at the standard rate of 20%. If your income received from the project was in excess of the UK VAT registration limit which was £79,000 in 2013 (see appendix 1), then you would have been required to register for VAT, if you were not already registered. You should note that if you have any other business income as an individual then your total self employed taxable income must be taken into account to determine your turnover for VAT registration purposes from 1st April 2013 in accordance with the VAT compliance section on page 5 of the notes.

3. **My GP practice, as a partnership, has been awarded a project to supply services (work stream) to a CCG, what do we need to do?**

The same principle applies as in 2 above but must be applied to the partnership as a whole. If the partnership was not already registered for VAT then it will need to do so from April 2013 if the income from the CCG contract exceeded the VAT registration threshold, which was £79,000 in 2013.

If the CCG income did not exceed the VAT threshold of £79,000 (see appendix 1) you need to check if the partnership taxable income together with the CCG income exceeded the VAT threshold of £79,000 in April 2013 and therefore you should have registered for VAT in accordance with the VAT compliance section on page 5.

4. **My GP practice used to receive compensation payments when I supplied PBC services to the PCTs. Why can't this apply to the new arrangements with the CCG?**

The payments received previously from the PCTS were deemed to be compensation payments as the services were supplied on a voluntary basis. The services currently supplied to the CCGs are supplied under a contract for specific project services and are not made on a voluntary basis. For this reason, the VAT treatment is different and the payments received from the CCGs are subject to VAT.

## **Impact on Dispensing Practices**

In addition to providing exempt health and welfare services, some GP practices have an in-house dispensing pharmacy. The VAT treatment of the dispensing of drugs from the pharmacy differs from the VAT treatment of drugs administered at the surgery by the GP.

Administered drugs are deemed to be part and parcel of the healthcare provided by the GP and are exempt from VAT. Drugs prescribed by the GP and supplied to the patient by the pharmacy are zero rated.

1. **My GP practice has a dispensing pharmacy - how does this affect me under the new CCG arrangements?**

The VAT liability of your dispensing activities will not change. If you are already VAT registered, you will continue to recover VAT incurred in connection with your zero rated dispensing pharmaceutical activities. However, you will charge VAT on the project work (work stream) you invoice to the CCG.

2. **What if my practice is not VAT registered as my current zero rated activities are below the VAT threshold?**

If the level of zero rated (and other standard and zero rated activities) pharmaceutical dispensing in your practice was below the VAT registration threshold of £79,000 in April 2013 you may not have been required to register for VAT.

In this case you must monitor the level of your taxable (standard and zero rated income) turnover and ensure that you register for VAT at the appropriate time. You need to include the amount of income from the CCGs and add this to your other



taxable supplies when determining your level of turnover and liability to register for VAT.

## Other Services Supplied By GP Practices and the VAT Implications

In addition to their primary service of providing health care and the services mentioned above, GPs typically provided a range of other services. The VAT liability of these services differs depending on the nature of the service and the VAT liability of each supply has to be considered.

The VAT legislation states that:

*The supply of services by a GP are exempt from VAT when both of the following conditions are met:*

- 1. The services are within the profession in which you are registered to practise.*
- 2. The primary purpose of the services is the protection, maintenance or restoration of the health of the person concerned.*

Clarification is sometimes required to ascertain the VAT liability of certain other supplies where they can be exempt from VAT in certain circumstances but subject to VAT in other circumstances. For example:

- Cosmetic services undertaken as part of a healthcare treatment programme are generally exempt from VAT. However, cosmetic services undertaken purely for cosmetic reasons are subject to VAT at the standard rate.
- A fitness report provided for an employer to protect an individual from having to carry out activities that they are unable to do for health reasons is exempt from VAT. However, such a report provided to an employer in a more general capacity or for the purpose of a sporting activity is subject to VAT at the standard rate.

Further examples of services typically supplied by GPs that are not exempt from VAT are as follows:

- Countersigning passport applications - standard rated
- Writing articles for journals - standard rated
- Dispensing contraceptive products - zero rated
- Dispensing smoking cessation products - zero rated
- Medico legal work - standard rated

The above are examples for illustrative purposes. Full details of the VAT liability of the different supplies made by GPs can be found in the HMRC Public Notice 701/57 “Health Professional and Pharmaceutical Products”. An extract is at Appendix 2.

## **What if I receive all of my income from the CCG as one payment, including fees for consultancy services and practice income?**

Your practice income must be split to enable the correct VAT treatment to be supplied to each source of income.

The payments can be made as one lump sum but could, for example, be accompanied by a statement breaking down the amount into the different income sources.

## **VAT Registration and Compliance**

There are two different tests used to determine when a business should notify its liability to register for VAT and to determine the effective date of registration for VAT. These tests are referred to as the “backward look” and the “forward look”.

A business is required to register for VAT either:

- a) Under the backward look - once the value of its taxable supplies (including zero rated supplies) exceeded the VAT registration limit which was £77,000 prior to April 2013 (which then increased to £79,000 on 1<sup>st</sup> April 2013) over a rolling 12 month period; or
- b) Under the forward look- if it knows that the value of its taxable supplies will exceed the limit within the next 30 days alone

### **1. The value of my taxable supplies has exceeded the VAT registration limit this month. What do I have to do?**

HMRC must be notified of a liability to register for VAT within 30 days of the liability occurring. The latest registration date will be the first day of the month after the month in which the limit is exceeded.

For example: a business whose taxable supplies exceeds the limit during February is required to inform HMRC and apply for VAT registration by 31 March. The business will be registered for VAT with effect from 1 April.

### **2. I have been awarded a large contract to make taxable supplies that will immediately cause my taxable turnover to exceed the VAT registration threshold. What do I have to do?**

You must notify HMRC of your liability to register within 30 days of your expectation arising. The date of registration will be the date that your expectation to exceed the limit arose, ie the date that you knew you had secured the contract.

For example: a business signs a contract for £100,000 on 1 March. It must notify HMRC of its liability by 31 March and it will be registered for VAT with effect from 1 March.

It is possible for a business to register for VAT on a voluntary basis before it is required to do so. Advice should be sought on this on a case by case basis to establish whether or not it is beneficial for the GP or practice to register for VAT. However, as GP

practices make predominantly exempt supplies, we would not generally recommend registering for VAT on a voluntary basis as the VAT recovery would be minimal compared to the administrative burden.

**3. What does my “Effective Date of Registration” for VAT mean?**

This is the date that your VAT registration legally takes effect and you must account for VAT on all of your taxable supplies made from this date. This is the case even if HMRC take some time to process your VAT registration application and do not notify you of your VAT number until sometime after this date. You are liable to account for VAT from the date that your VAT registration is effective, not the date that you are notified of your VAT number.

**4. How do I report my VAT liability when I am VAT registered?**

Once registered for VAT you will have to submit a quarterly VAT return to HMRC reporting your VAT liability for the period. You can request to be allocated a particular quarter end when you submit your application for registration. For example, you may wish to have your VAT returns align with your financial year end.

Your VAT return will run for a three-month period and will be due for submission to HMRC by the end of the following month. Businesses who submit their VAT returns online (virtually all businesses are required to do this) and pay their VAT electronically are afforded a 7 day extension to submit their VAT returns and pay any VAT due to HMRC.

For example: a VAT return covering the quarter 1 Jan to 31 March would be due for submission to HMRC by 30 April or 7 May if submitted and paid electronically.

**5. I heard that I can reclaim VAT incurred on my expenses once I am registered for VAT. How does that work?**

You can reclaim VAT incurred on making your taxable supplies. Subject to certain conditions, VAT can be recovered on expenses incurred on services up to six months prior to the date of VAT registration. VAT can be recovered on the purchase of goods up to four years prior to the date of registration, again subject to certain conditions.

There are restrictions on reclaiming VAT incurred in relation to making exempt supplies.

**6. If I make both taxable and exempt supplies, how do I calculate how much VAT I can recover?**

Businesses such as GP practices who make exempt supplies and taxable supplies must apply a formula to work out how much VAT they are entitled to reclaim.

VAT incurred that can be attributed directly to making taxable supplies can be recovered in full. VAT incurred that can be attributed directly to making exempt supplies cannot be recovered, unless it falls within a certain limit called the de minimus limit.

Each VAT quarter a calculation, called the “partial exemption” calculation must be carried out to determine how much of the VAT incurred in making both taxable and exempt supplies can be recovered. This VAT is usually VAT incurred on overheads such as the cost of running the practice and that cannot be accurately split between the different types of supplies. This VAT is known as “non attributable” VAT. The standard calculation is known as the “partial exemption standard method” and this is used by most businesses.

The standard partial exemption method is based on turnover of taxable and exempt supplies and recovery apportioned according to that ratio.

For example: If a business makes exempt supplies to the value of £500,000 and taxable supplies of £100,000, it will be entitled to recover 16% of its non attributable VAT. (calculated as taxable supplies over total supplies to arrive at the percentage).

The above VAT position has been agreed with Mr M Barlow, NHS Team, HMRC Public Bodies Group.

**Greenback Alan LLP**

## **Disclaimer**

The guidance notes have been prepared on documents and information available at the time. The guidance notes have been commissioned for The General Practitioners Defense Fund and no responsibility or duty of care is extended to any other party.

## Appendix 1

### HMRC Legal Reference

#### Application to offices and office-holders

1. The provisions of the employment income Parts that are expressed to apply to employments apply equally to offices, unless otherwise indicated.
2. In those provisions as they apply to an office—
  - a) references to being employed are to being the holder of the office;
  - b) “employee” means the office-holder;
  - c) “employer” means the person under whom the office-holder holds office.
3. In the employment income Parts “office” includes in particular any position which has an existence independent of the person who holds it and may be filled by successive holders.

#### VAT Registration Limits

- 2013            £79,000
- 2014            £81,000
- 2015            £82,000

## Appendix 2

### VAT Liability of Other Miscellaneous Duties Performed and Services Supplied by General Practitioners

#### Standard rated

- Supply of staff to other GP practices
- Supply of non medical services to CCGs
- Contracts for management of GP practices (ie practice manager involved in non clinical care)
- Performance Assessments of fellow colleagues
- Paternity testing
- Writing articles for journals
- Medico legal work
- Countersigning passport applications
- Providing character references
- Analytical testing services with no patient contact (the monitoring of a patient involved in trials for adverse reactions is exempt from VAT)
- Fitness certificates provided ref an individuals profession or sporting activity (such a report provided to protect the individual from undertaking certain activities due to their health, for example, is exempt)
- Cosmetic services undertaken purely for cosmetic reasons
- Completion of forms for disability badges

#### Zero Rated

- Dispensed Contraceptive Products
- Dispensed smoking cessation Products