HMRC - VATWELF2100 - Which Bodies Provide Exempt Welfare Services?: What Are State-Regulated Private Welfare Institutions And Agencies?: Institutions - The Historical Position

Prior to 21 March 2002, institutions such as residential care homes and nurseries treated their supplies of welfare services as exempt under item 4 of Group 7. The wording of Item 4, at that time, covered:

The provision of care or medical or surgical treatment and, in connection with it, the supply of any goods, in any hospital or other institution approved, licensed, registered or exempted from registration by any Minister or other authority …

However, the Tribunal case of Kingscrest Associates Ltd & Montecello Ltd (‘Kingscrest’) (VTD 17244) challenged our interpretation of the word care under Item 4 arguing that it meant medical care. Kingscrest was a partnership formed by the two companies, operating care homes for children and young adults with learning difficulties. The homes provided personal care, but not medical care. The Tribunal allowed the appeal, and this was subsequently confirmed by the High Court ([2002] STC 490), which held that care in Item 4 is restricted to care of a medical or surgical nature.

Following release of the High Court judgment, SI 2002/762 amended Item 9 of Group 7, to ensure that welfare care supplied by commercially run institutions would be VAT-free.

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