

NHS Procurement: What you need to know

Preparing your business for the Future Operating Model (FOM)

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SEMINAR ARTICLE:

Trusts to benefit from extra VAT recovery through new buying model

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NHS trusts will receive extra cash from claiming back VAT on goods and equipment purchased through the new centralised procurement model, government officials have said.

The cash boost will be available “where appropriate”, because the Department of Health and Social Care has set up a subsidiary company to oversee the new NHS procurement model.

It is not yet known how much VAT may be recoverable.

The new procurement model replaces the NHS Supply Chain contract, held by DHL Supply Chain, in October. It aims to help the NHS deliver annual savings of up to £600m by 2023.

Details of the extra VAT benefits to trusts were mentioned by DHSC procurement official Alan Wain at the Health Care Supplies Association’s summer conference in June.

He told delegates there will be improved visibility of VAT on trust invoices from the new supply chain, which will enable trusts to reclaim VAT “legitimately”.

The DHSC later told HSJ that trusts will be able to reclaim VAT because Supply Chain Coordination Limited, the entity responsible for the new procurement model, has

been established as a subsidiary company and therefore sits outside the “NHS VAT registration field”.

The current supply chain contract is held with NHS Business Services Authority, which is a special health authority and sits within the NHS VAT system.

From April next year, VAT will be itemised on all invoices connected to the centralised procurement model, a DHSC spokesman said.

He added: “Where appropriate the NHS may be able to recover some of that VAT.”

“[The changes] will create more visibility on the pricing and allow the NHS to understand its VAT position in relation to its overall supply chain in greater detail.

“The visibility of the VAT will obviously be a benefit to trusts and we will be able to collate more data on this as the new model is developed after April 1 next year.”

VAT recovery was not a “direct consideration” in the business case for setting SCCL up as a subsidiary company, the spokesman said.



HSJ asked if creating SCCL as a subsidiary company was any different to the way NHS trusts have set up such companies, some of which have been done so explicitly to recover VAT, but the DHSC said it could “only comment on SCCL structure”.

According to the Treasury, there are rules that allow recovery of VAT on “certain outsourced services”.

A Treasury spokeswoman said: “HMRC administers these rules in order to ensure that VAT is recovered only where appropriate. This will be no different in this case.”

Source: Information provided to HSJ

NHS Procurement: What you need to know

This event takes place on **7 November 2018** in Birmingham and **3 April 2019** in London.

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