At a glance: Covid-19 support and VAT

In this at a glance guide, we cover common VAT related issues for primary eye care providers:

- Government business support and VAT
- Professional services and other income
- Partial exemption from vat
- PPE – zero rating
- Deferring vat payments

Government business support and VAT

The support from the government and the NHS is in the form of direct payments. The government is also making payments of 80% of staff wages where they are furloughed by the employer (within the limits and confines of the scheme).

In all cases, the receipt of these monies is **not** the consideration for any supplies being made by the practice and all receipts of this nature should be **excluded** from your VAT accounting records. More importantly, these receipts should **not be** included in any partial exemption calculations. See below.

These types of receipts are, for VAT purposes, treated as being 'outside the scope of VAT' and should not be included on your VAT returns. Learn more.

There should be no difference for those businesses operating full cost apportionment (FCA) or separately disclosed charges (SDC).

Professional services and other income

Where a patient is being charged for professional advice, either face-to-face or by telephone/videoconferencing, that income will be exempt from VAT. However, the charge for repairing spectacles will be subject to VAT at 20%.

The provision of contact lenses will continue to be treated as the supply of both vatable goods and exempt services and will be apportioned in the normal way.

Partial exemption from VAT

Normally, an optical business recovers VAT in full on the purchase of goods for resale and suffers a restriction on the amount of VAT it can recover on business overheads because it makes exempt supplies of professional services (sight tests and dispensing services).

The recovery of VAT on business overheads is generally determined by the percentage of income derived from sales subject to VAT. However, since March 2020 practices have been receiving little if no income. This may have an adverse impact on a practice's VAT recovery if you are using the standard method of Partial

Exemption, especially if you are deriving income from the remote provision of professional services as this may be the only source of income in the VAT accounting period which would render a nil recovery on business overheads. This may be mitigated by the sales of contact lenses.

During this period of closure, sources of income and the values will not be representative of your normal trading pattern. Therefore, you will need to recognise that any partial exemption for either a monthly or quarterly VAT accounting period is provisional. This means that at the end of your VAT year – 31 March, 30 April 30 or 31 May each year – you must undertake an annual adjustment based on the whole year of trading.

If your VAT return ends on March 31, 2020, the Covid-19 downturn will have been absorbed into the previous 11 months of trading. For those whose returns end in April and May 2020, you may have an additional liability to HMRC or possibly a further refund of VAT, depending on your business profile and the duration of this lockdown.

PPE zero rating

Under the VAT Act 1994 a standard rate of 20% VAT applies to Personal Protective Equipment (PPE) but with effect from 1 May 2020 for a period of three months to 31 July 2020, a temporary VAT zero rating is being applied. This applies to businesses purchasing PPE for protection from infection. Learn more.

Deferring VAT payments

Members who have deferred VAT payments – facility which remains in place until June – learn more – will not charge interest or penalties on any amount deferred but you will still need to submit your VAT returns to HMRC on time. Where the return is for a reclaim of VAT, HMRC will continue to process that as normal.

If you have chosen to defer your VAT payment as a result of coronavirus, you must pay the VAT due on or before 31 March 2021.

If you are suffering financial difficulties and cannot meet any tax liabilities payable to HMRC, you should contact them immediately. https://www.gov.uk/difficulties-paying-hmrc

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