



VAT and Value Shifting

Consultation

Our response

We welcome the opportunity to comment on the VAT and Value Shifting consultation.

As the national representative bodies in eye care, we support fair taxation as matter of principle including HMRC's goals of preventing value shifting and ensuring there is a "level playing field for all businesses" (para 2.1). We do not however believe that value shifting applies in our sector.

The optical sector consists of a wide range of providers from standalone independent practices, through regional providers to organisations with a national footprint. As HMRC will know, as optical sector bodies we have worked positively with HMRC to support smaller practice owners with the complex issue of VAT where there is a clinical service (VAT exempt) and supply of an optical medical device (standard rated) and hope to continue do so here.

On reading the consultation it was not immediately clear whether it was intended to include healthcare. For example, although the consultation refers to exempt supplies once (para 3.2) and bundling of goods and services, in the main it focusses on goods bundled with other goods, and in particular bundling of zero-rated and standard rated goods.

Consequently, many of the consultation questions do not directly apply to our sector in that, in our case, bundling exists only where clinical services (VAT exempt) and supply of optical appliances (standard rated) are inextricably linked. We have however attempted to respond to the consultation questions where applicable below.

We support HMRC's goal of tackling value shifting in sectors where zero-rated goods are bundled with standard rated goods. It is important, however, that sectors where this does not apply are not hit with new compliance costs owing to systems set up to tackle value shifting in the food and drink and similar sectors without any changes to the VAT position or benefits for patients.

We hope our initial feedback is helpful and we look forward to reading more about these proposals ahead of any legislative change so we can more fully assess them for any potential unintended impacts on healthcare provision.

Questions

As noted above not all the consultation questions apply to the sector. Please see our response to question seven and eight below.

Q7.

a. Does your business sell bundles where none of the items in the bundle are also sold separately?

Yes.

b. If yes, what goods or services are involved?

The supply of clinical and professional services which are exempt from VAT and the standard rated supplies of medical devices.

c. Are these bought in or developed (or partly developed) in-house?

Clinical services are provided by registered clinicians or trained staff working under their supervision. Medical devices to patients' prescriptions are generally bought in from third party suppliers and fitted or adapted in the practice which can require several patient visits.

Some practices will have their own in house 'glazing laboratories' for spectacles and some have the capacity to produce their own devices or purchase them from associated suppliers.

Q8.

a. Do you use a cost-based apportionment?

The UK optical sector comprises all sizes of provider from sole traders and small independent businesses to family chains and large multiple location corporate providers. Providers use cost-based apportionment or Separately Disclosed Charges (SDC as per HMRC's R&C Brief 14 (2020) with separate prices charged for the VAT exempt clinical and professional services and the standard rated supplies of medical devices notified to the customer at the time of sale).

b. If yes, how do you calculate the costs of any goods or services that are developed (or partly developed) in-house?

The cost of goods is calculated from the components of the supply of spectacles plus non-clinical overheads. The cost of the service is calculated from the costs associated with the supply of clinical and professional staff (remuneration, training etc).

c. Do you include overheads or indirect costs e.g. transportation or refrigeration? Please provide details.

All costs are included in determining the allocation of overheads to both the device and service elements of the supply.

About us

ABDO represents 6,361 qualified dispensing opticians in the UK.

AOP is the membership organisation for optometrists. It represents over 80% of the UK's 15,000 optometrists.

FODO is the national association for eye care providers working in primary and community care settings. Its members provide over 18 million eye examinations and offer a wide range of other eye care services across the UK.