

[View this email in your browser](#)



## Bulletin April 2025

### HMRC moves against VAT avoidance in the care sector

This may affect you if you are a charity which (1) provides care, (2) charges a Local Authority or NHS Integrated Care Board, and (3) uses an unregulated body to make its charges liable to VAT. This will also be of interest to those professional advisers who work with such charities.

Earlier this week, CTG attended a call with HMRC who briefed us on their intent to bring an end to a VAT avoidance scheme which is being used in the care sector. Details of the proposed action are set out in [Revenue and Customs Brief 2 \(2025\)](#) (RCB 2/25) published this afternoon. The RCB explains how HMRC will take action to stop a scheme which boosts input VAT recovery for care providers who are regulated by the Care Quality Commission (CQC). Although the RCB only refers to state regulated providers, HMRC made clear on the call that this includes charities, whether regulated or not.

Broadly speaking, the scheme includes the incorporation of an unregulated/non-charitable provider within a VAT group which also contains the regulated provider/charity. Because the welfare VAT exemption is restricted to regulated providers and charities, any provision by an unregulated provider or non-charity, who in most cases is buying in services from the regulated provider, falls outside of the exemption. This results in a favourable VAT position where the supplies are made to a local authority or NHS who are able to recover the input VAT.

HMRC plan to stop this scheme by refusing any applications for new VAT groups where this is a feature and by removing the unregulated providers from existing VAT groups. Alternatively providers may wish to novate their contracts with Local Authorities or the NHS such that the services revert to being provided by the regulated provider. The representatives on the call from Local Authorities and the NHS indicated that their organisations would be helpful to providers who wish to take this route as they were in favour of the change.

We understand from HMRC that this scheme has been aggressively marketed and that some charities may therefore have entered into this sort of arrangement. HMRC is

encouraging anyone operating in this way who now wishes to unwind the scheme to get in touch with them via [e-mail](#).

HMRC have confirmed that they will begin investigations immediately to review group VAT registrations where these arrangements are in place and as above will be working with taxpayers to amend the VAT grouping.

---

Thank you for being a valued member of CTG.

---

**OUR WEBSITE / CHARITY TAX INFORMATION / SUPPORT US**

---

*Copyright © 2025 Charity Tax Group, All rights reserved.*

You are receiving this email as you opted in.

**Our mailing address is:**

Charity Tax Group  
7/8 Avon Reach  
Monkton Hill  
Chippenham  
SN15 1EE

Charity Tax Group (known as CTG)

Registered as a limited company by guarantee in England - 08028281

Registered charity No: 1211253

Want to change how you receive these emails?

You can **update your preferences** or **unsubscribe from this list**.