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## HMRC issue new guidelines for care providers and commissioners

As we reported in our July Newsletter, there has been some caution and confusion from Local Authorities and NHS Integrated Care Boards (commissioners) where they are buying in services from care providers which are impacted by [RCB2/25](#). The commissioners are in some cases refusing to settle the invoices or pay the VAT element of invoices. This is causing administrative and cash flow difficulties for some charities who provide care.

CTG raised this with HMRC who have now shared a [Q&A document](#) with us and asked us to share with our stakeholders.

The [Q&A document](#) is helpful in that it should reassure commissioners that care providers are obligated to charge VAT if they are still making supplies from an unregulated entity. This means that where commissioners have a valid contract with an unregulated entity for a period covered by the invoice, and the unregulated entity is VAT registered and has provided a VAT invoice, the commissioners should pay the VAT due, and subject to the normal rules, recover the input VAT paid. This will be the case regardless of whether the VAT grouping has been disbanded by HMRC.

The [Q&A document](#) recognises that although unwinding these arrangements is the responsibility of the care providers, some commissioners are keen to move away from the arrangements which HMRC consider to be avoidance. HMRC encourages commissioners in this situation to work with care providers to novate contracts back to the regulated provider. It also gives advice on how commissioners can obtain reassurance from care providers about whether the arrangements have been unwound, either voluntarily or by HMRC, where the contract remains with the unregulated provider and they are continuing to charge VAT.

CTG has raised a number of other points about the impact on charitable care providers, and we will keep you updated if there are any further developments.

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