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Rt Hon Jesse Norman MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London, SW1A 2HQ

11 March 2021

Dear Minister,

RE. VAT removal for primary care

The BMA recently responded to the *VAT and the Public Sector: Reform to VAT refund rules* consultation. We agree that public sector organisations, including NHS bodies, should not have to use public funds for VAT, when private businesses are able to reclaim that VAT. The current procedures for NHS organisations to re-claim VAT are complex, inefficient and overly bureaucratic. Therefore, any changes to simplify these rules are welcome.

However, we believe these proposals need to go further for primary care. We are therefore calling for GP practices and Primary Care Network (PCN) structures to be fully exempt from VAT when delivering patient facing services, as there is currently a large amount of bureaucracy associated with the application of VAT in this regard. This is particularly relevant for these organisations, which are made up of collaborations of GP practices and other public sector and non-public sector organisations, who often share staff and provide services jointly to patients.

VAT is generally applied when paying for staff members who provide a service for a PCN/practice. The PCN/practice is charged for the full salary and on-costs of the staff member, plus an additional 20% for VAT. However, the PCN/practice is only entitled to reimbursement for the salary and on-costs, not the VAT, from the NHS. Instead, this has to be paid for out of PCN/practice budgets, resulting in money being lost from patient facing support services. Naturally, this places extreme financial burden on PCNs and practices and is impacting their ability to recruit the staff they need to address increasing demand for vital health and care services.

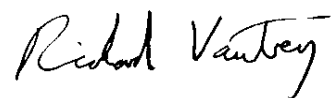
Prior to the pandemic we were working with NHS England/Improvement, AISMA (the Association of Independent Specialist Medical Accountants) and HMRC to find ways to resolve the issue, but it has become increasingly clear that the only real resolution is to provide primary care with a VAT exemption.

PCNs and the role of general practice are central to the government's NHS plans, not least the changes outlined in the recent White Paper. This issue must therefore be resolved as soon as possible for the government not only to be able to meet a key manifesto commitment to provide an additional 26,000 staff in general practice as part of the 2020/21 to 2023/24 contract deal, but importantly to further improve the health care our patients receive.

I would be happy to meet to discuss this issue further, or to answer any questions which you may have.



Yours sincerely,

A handwritten signature in black ink that reads "Richard Vautrey". The signature is written in a cursive style with a horizontal line above the name.

Dr Richard Vautrey
GPC England Chair