

**CIPFA VAT Committee  
Notification of Technical Query to HMRC**

Subject	<b>Accountable Care</b>
Author(s)	<b>Karen Regan</b>

<b>Type of authority affected</b>
All local authorities and NHS organisations
<b>Description of the issue</b>
<p>The Accountable Care initiative is a response to growing financial and service pressures within local authority social care and NHS organisations. Health and social care organisations agree to collaborate in order to meet the needs of the population they serve with the aim of putting in place new care models that integrate services previously provided separately.</p> <p>A number of authorities are working towards setting up Accountable Care Organisations (ACO) and pooling budgets with the NHS. Difficulties arise in trying to determine the correct VAT treatment of supplies made and deciding on the amount of input tax recoverable due to the fact that a different VAT regime applies to each of the partner organisations; Section 33 and Section 41 of the VAT Act 1994.</p> <p>The Accountable Care model adopted in each area will be based on the needs of that area and therefore, there is not one specific model to consider but a variety of integrated models across the UK.</p>
<b>Impact and extent of the issue</b>
Nationally – impacts on all local authorities responsible for social care services.
<b>Government department sponsoring the initiative, if any</b>
<p><b>NHS England</b></p> <p>The NHS Five Year Forward View was published on 23 October 2014 and sets out a new shared vision for the future of the NHS based around the new models of care. Integrated care models are key to this vision.</p> <p><b>Department for Health</b></p> <p>“The government will integrate health and social care services by 2020. Each part of the country will develop plans for this by 2017, to be implemented by 2020. Local areas will integrate in different ways using a range of models which the government supports.”</p>
<b>Funding</b>
NHS funding allocations; DCLG Local Authority Funding Settlement. Fees and

charges (as appropriate) for services. Specific grants and other funding streams.

**Legal powers used or relied upon**

The Health and Social Care Act 2012  
The Care Act 2014

**Current VAT treatment**

Currently the health and social care services are not fully integrated so the VAT treatment follows that of the S33 body providing the social care and that of the S41 body providing health care.

**References in HMRC publications, including websites if any**

No guidance available on this subject matter.

**Tax analysis**

**Include reason for change and alternative liability proposed**

An integrated solution to the financial and service pressures facing local authorities and the NHS is a stated government objective but no thought appears to have been given to the issue of VAT.

The restricted VAT recovery rules applicable to the NHS could result in additional costs for an Accountable Care Organisation; this is contrary to one of the aims of the initiative which seeks to reduce costs in addition to improving the quality of services and people's experiences of them.

Clear guidance from HMRC or Department of Health is sought to ensure that the VAT treatment of Accountable Care Organisations is understood and taken into account when setting up an integrated model.

I propose that a joint working group consisting of representatives from Department for Health, HMRC and CIPFA VAT Committee be set up to produce a set of VAT accounting guidelines applicable to Accountable Care. This will enable full consideration of the VAT position to be taken into account when drawing up plans for an integrated health and social care model.

**References in tax legislation supporting change**

Not applicable.

**Other supporting evidence**

None.

Date

**24.01.2017**