

Dear Sirs,

**Value Added Tax - Medical Exemptions**

As you will be aware King's College London use the Science Warehouse e-procurement system and you are one of our suppliers. The system includes the ability to send orders electronically but there will also be a need to advise you of when an order qualifies for medical exemption. The purpose of this letter is to advise you of how we intend to identify/notify medically exempt orders **from January 21<sup>st</sup> 2009**.

In order to allow VAT exemption, you as a supplier need to be satisfied that:

- i) the institution placing the order is an eligible body and
- ii) the goods to be supplied are of the kind which can be exempted.

You are also required to maintain an audit trail so that HM Revenue & Customs (HMRC) can if necessary check which goods have been exempted and what evidence you used to determine eligibility.

At present eligibility is demonstrated through a variety of methods including paper certificates, a VAT PIN number or in some cases annual blanket exemption forms. However, if we maintain this process, many of the efficiency gains achieved through electronic ordering for both us as customer and you as supplier will be negated through the need for us to separately print off, complete and fax paper certificates, and for you to associate the certificates with the electronic order you will have already received. From our perspective, we also need to have a single common process of notifying exemption such that the method does not change dependant on supplier.

With this in mind, we have consulted through the Higher Education Taxation Forum<sup>1</sup> with the HMRC policy team responsible for medical exemption. They have confirmed:

- i) there is 'not a legal requirement' for an exemption certificate, though suppliers clearly need some evidence of eligibility for exemption;
- ii) local VAT officers are unable to prescribe the manner or form in which suppliers obtain evidence of exemption, though an audit trail is necessary;
- iii) an electronic declaration of eligibility is acceptable; and

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<sup>1</sup> HE Taxation Forum is a meeting of Universities, HMRC, HM Treasury, Funding Councils, and other government departments to resolve tax problems in the sector.

- iv) 'as a certificate, on its own, is not sufficient to confirm zero-rating<sup>2</sup>, HMRC accept any other supporting evidence provided there is a clear link between it and a zero-rated supply.'

A copy of the letter setting this out is attached.

In view of the above, we will for all medically exempt orders made through Science Warehouse Marketplace declare our eligibility for exemption by adding the following statement where applicable.

***"The University, as a charitable research institution, claims zero-rating on the items identified on this order as exempt under item 5 or 10 of Group 15, Schedule 8 of the VAT Act 1994 namely:***

***Relevant goods as defined by item 3, or parts and accessories thereof, for use in medical or veterinary research, training, diagnosis or treatment and/or Substances directly used for synthesis or testing in the course of medical or veterinary research."***

Please advise if you anticipate problems receiving notification in this way.

Yours sincerely

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<sup>2</sup> Medical Exemption is a form of zero-rating.