



Medical and Veterinary VAT reliefs



What does this guide cover?

This guide provides useful information on claiming Medical and Veterinary VAT relief. This is a very valuable relief for the University and can be claimed on many of the items purchased for medical and veterinary research, diagnosis, and training

The guide will cover:

- What is the VAT relief?
- Which equipment purchases qualify?
- What 'other costs' qualify?
- What 'other items' qualify?
- Common errors in claiming this relief

You can find an online interactive version of this presentation at www.bufdg.ac.uk.

All members of the University can sign up for an account without charge

What is the VAT relief for equipment?



- When the University buys equipment, in most cases we pay VAT at 20%
- This VAT is an additional cost to the University
- Where qualifying equipment is to be used for medical and veterinary research, training or diagnosis, we can get relief from that VAT
- We can get the relief on purchases from UK companies
- And we can get the relief when we import goods from overseas into the UK

What is the VAT relief for equipment?



To claim the VAT relief for equipment for use in medical or veterinary research and training...

There are three tests – the equipment must be:

1. Purchased by a research institution with charitable funds (universities always pass this test)
2. Used for a qualifying purpose, and
3. Within one of the approved categories of equipment



What are the qualifying purposes?

There are three qualifying purposes:

1. Medical and veterinary research
2. Medical and veterinary training
3. Medical and veterinary diagnosis

These are explained in more detail on the following slides

What is Medical and veterinary research?



Medical or veterinary research means original research into human or animal disease and injury.

It excludes routine testing and analysis of materials, and components and processes - for example for the maintenance of national standards - as distinct from the development of new analytical techniques.

What is Medical and veterinary training?



Medical or veterinary training includes the training of doctors, nurses, surgeons (including dental and veterinary surgeons), and other professionals involved in medical or veterinary diagnosis or treatment

What is Medical and veterinary diagnosis?



Medical or veterinary diagnosis or treatment is the diagnosis or treatment of a physical or mental illness or injury by a medical or paramedical practitioner or a veterinary surgeon



What doesn't qualify?

Areas which would not qualify include:

- general biological studies
- general zoology not connected to disease in animals
- environmental research
- research into animal husbandry
- routine testing and analysis of materials

That said, departments outside the medical or veterinary schools in your university. Sometimes departments such as Chemistry, Physics, Engineering or Mathematics can do research which is medical in nature



So you know what activities qualify

Is there anything else you need to know?

- Yes
- No
- Not sure

As well as being used for a qualifying activity...



It must also be fall into one of the qualifying categories of equipment

What are the approved categories of equipment?



The categories of qualifying equipment are:

1. Laboratory equipment
2. Medical equipment
3. Scientific equipment
4. Refrigeration equipment
5. Sterilising equipment
6. Video equipment

These are explained in more detail on the following slides



What is laboratory equipment?

This includes items which are designed for use in a laboratory such as

- test tubes and other laboratory glassware
- bunsen burners
- fume cupboards
- laboratory benches
- specialised sinks
- catchpots



What is not laboratory equipment?

The following are not laboratory equipment:

- ordinary cupboards and lockers
- seats and other furniture, even when these are used to equip a laboratory
- bulk materials such as liquids, powders, sheets, pellets, granules
- general purpose items used to equip a laboratory



What is medical equipment?

Medical equipment This includes equipment that has features or characteristics that identify it as having been designed for a medical (including dental) purpose or function, such as the diagnosis or treatment of patients

This covers a wide range of goods, from simple items like bandages and tongue depressors, to complex machinery such as x-ray machines and scanners



What is scientific equipment?

This includes equipment designed to perform a scientific function such as precision measuring equipment and analytical equipment such as thermometers, weighing machines and spectrometers

Equipment that is not designed to perform a scientific function, but merely works on a scientific principle, is not scientific equipment

What is refrigeration equipment?



This includes all cooling and freezing equipment, whether designed for industrial, domestic or any other purpose



What is sterilising equipment?

This includes autoclaves and other specialised equipment using steam or other high temperature processes

Microwave ovens and other cooking appliances are not sterilising equipment, even if they can be used to sterilise

Sterilising fluid is not 'equipment', so cannot be 'relevant goods'.



What is video equipment?

This includes video recording and playback equipment

Recap



We have learned that in order to qualify for relief from VAT, an item of equipment must be both:

- Within one of the approved categories of equipment (e.g. medical, scientific, laboratory etc),
AND
- Must be used for a qualifying purpose (e.g. medical research, veterinary training)

What happens if goods are only partly used for a qualifying purpose?



What do you think would happen if equipment is only partly used for a qualifying purpose?

- It still qualifies
- It does not qualify
- Partial qualifying use

What happens if goods are only partly used for a qualifying purpose?



It depends...

...on how much qualifying use there is.

The VAT legislation only specifies that there must be use for a qualifying purpose.

HMRC say that in order to qualify, there must be **real, substantial and continuing use** for a qualifying purpose. This is often referred to as being 'mainly' qualifying use.

A key requirement for all purchases of qualifying equipment is that in order to claim relief, the buyer must know what the qualifying use will be. You cannot claim relief on the basis that equipment 'might' be used for a qualifying purpose

This means that, for example, you should not claim relief when items are purchased for general stores even though it is likely that some will be used for a qualifying purpose

What 'other costs' qualify for relief?



VAT relief is also available for:

- Parts and accessories of qualifying equipment
- The repair and maintenance of qualifying equipment
- The hire of qualifying equipment



Test yourself – Q1

Let's try a few 'true or false' questions to check that you've grasped the main points so far.

Stationery items such as pens and paper purchased for a medical research project qualify for VAT relief.

Is this true or false?



Test yourself – A1

The answer is FALSE

Stationery is not laboratory equipment, even if it is used by a research group carrying out medical or veterinary research



Test yourself – Q2

Computer equipment bought for teaching a biology degree is eligible for relief, because the degree course covers some medical topics.

Is this true or false?



Test yourself – A2

The answer is FALSE

Medical or veterinary training includes the training of doctors, nurses, surgeons (including dental and veterinary surgeons), and other professionals involved in medical or veterinary diagnosis or treatment

It doesn't include teaching on general biology courses even if they do cover some medical content



Test yourself – Q3

Equipment which is designed for use in a laboratory and used for medical research qualifies for relief.

Is this true or false?



Test yourself – A3

TRUE - Equipment which is designed for use in a laboratory and used for medical research will qualify for relief



What other items qualify for relief?

As well as equipment, some other items can qualify for relief when used for a medical or veterinary purpose. These are:

1. Medicinal products
2. Substances used for synthesis or testing
3. Software
4. Human organs and blood

NOTE the conditions to obtain relief are NOT the same as for equipment

These are explained in more detail on the following slides



What are medicinal products?

A medicinal product means any substance or article (not being an instrument, apparatus or appliance) which is for use wholly or mainly in either or both the following ways:

- by being administered to one or more human beings or animals for a medicinal purpose; or
- as an ingredient in the preparation of a substance or article which is to be administered to one or more human beings or animals for a medicinal purpose



What does administered mean?

Administered means to administer to a human being or an animal, whether orally, by injection or by introduction into the body in any other way, or by external application, whether by direct contact with the body or not

However, you can only claim relief on a medicinal product when it is used **SOLELY** for medical or veterinary care, treatment or research.

Note that this is different from the rules we learned for equipment which must have **real, substantial and continuing use** for a qualifying purpose, but does not have to be not sole use

What are 'substances used for synthesis or testing'?



A 'substance' can be:

- natural or artificial,
- solid or liquid form, or
- in the form of a gas or vapour.
- If the substance is bought in the form of gas the zero rating will also apply to the cylinder rental.

Note that relief only applies if the substance is going to be used for research, and **NOT** for care, treatment training or other purposes

Are animals 'substances used for synthesis or testing'?



Discussions between HMRC, KPMG and the Department of Health towards the end of 2021 resulted in HMRC's Policy team accepting that animals qualify to be treated as 'substances' for the purposes of this VAT relief also.

The two major UK suppliers involved are also aware of this. However, HMRC officers 'on the ground' may not be so well aware of this



When does software qualify?

Relief can also be claimed on computer software. However, you need to be careful as once again the conditions for relief are different.

The software must be **SOLELY** used for medical research, diagnosis or treatment

Software used for veterinary research or treatment does **NOT** qualify.

Software used for training does **NOT** qualify.

Because the software must **SOLELY** be used for the qualifying purpose so no other use is allowed at all

When do human organs and blood qualify?



Human blood and products derived from human blood for therapeutic purposes are always exempt from VAT.

Human organs or tissue are exempt from VAT when they are used for medical research, or for diagnosis or treatment



Recap

Apart from equipment, there are a number of other reliefs available.

These include:

1. Medicinal products
2. Substances used for synthesis or testing
3. Software
4. Human organs and blood

It is important to remember that the conditions for claiming relief are different for each item.



How do we claim relief?

In order to claim relief, the University needs to make a statement to the supplier confirming that we are eligible to claim relief.

This is usually done by issuing a certificate to the supplier – this is generated automatically alongside the purchase order when you use VAT code EF

Some suppliers will have their own template which they expect you to use

For imports, you should still select VAT code EF. The tax team will provide the certificate to the import agent who should ensure that we are not charged import VAT or duty



Common Errors – ineligible items

Take a look at some things below on which often people wrongly try to claim VAT relief:

- Aprons
- Cleaning equipment which is not sterilising equipment
- Sterilising solutions
- Computer stationery and printer cartridges
- Ordinary furniture (even if it is used in a laboratory)
- Drugs trolleys
- Dry ice
- Disposable gloves (but surgical gloves are eligible as medical equipment)
- Waste disposal machinery



Common Errors - consumables

Another common area of complication and error is consumables

In this context, 'consumables' means items which are only capable of being used once, such as a cleaning cloth or chemical, because after use they change their state. Research grants often include a budget for 'consumables'. In this context the word has a different meaning and includes items such as test tubes and other items which can be regarded as equipment

On the whole, consumables are **NOT** eligible for relief - the most commonly used relief for medical and veterinary purchases is the equipment relief and consumables are not equipment. However, occasionally some consumables may fall under the relief for substances used for testing (see the section on Substances in the 'Other purchases eligible for relief' section), provided all the conditions for that relief are met (e.g. the substances are used directly for synthesis or testing)



Common Errors - services

And finally, take care with services

Remember that the *only* services eligible for relief are repair and maintenance services for equipment which itself qualifies for relief. Other services do **NOT** qualify for relief.

DNA testing and other testing services are *services* and do **NOT** fall within any of the categories eligible for relief



Recap

In order to be eligible for relief the items must be:

- used for a qualifying purpose; and
- fall within one of the approved categories of equipment

There are a number of other reliefs available for items such as:

- medicinal products
- substances used for synthesis or testing
- computer software, and
- human blood and organs

More help?



You can find more information in the [HMRC VAT Notice 701/6](#)

Or for any queries please contact the [tax team](#)