



## Buying a Care Home? The VAT Implications for Your Provision...

With many care home operators considering growth and acquisition strategies post Covid-19, we are being asked more and more frequently for advice regarding the VAT implications of purchasing a care home and how these vary depending upon the property and the specific parties involved. For example, the VAT treatment differs depending on whether the home is a new building or an existing care home, and whether the seller is a care home operator or a property company. Lynne Gill, Senior Indirect Tax Manager at VAT Solutions, outlines some of the key points below.

### New Build Property

VAT at the standard rate is chargeable on a building which is less than 3 years old. However, a building which is to be operated as a care home can be purchased without VAT if the purchaser provides the developer with a certificate stating that the building will be used for a relevant residential purpose, for example as a care home. The provision of this certificate enables the developer to zero rate the sale of the property.

However, when obtaining a zero rating certificate for the purchase of a care home, it is important to note that if the property is sold within 10 years of purchase then a payment will have to be made to HMRC to account for a proportion of the VAT not paid at the time of purchase.

### Existing Care Homes

The purchase of an existing care home would normally be exempt from VAT. However, if the seller has opted to tax the property, they must charge VAT on the sale unless it can be treated as the transfer of a going concern (TOGC). A TOGC is applicable when the purchaser is carrying on the same business as the seller. If the seller is a care home operator, then the purchaser must also operate the business as a care home. If the seller is a property company leasing the property to a care home operator, then the purchaser must be buying the property to lease to a third party.

There are a number of conditions which both the seller and purchaser have to meet. For example, both must be VAT registered, but if the conditions for a TOGC stipulated by HMRC are met, then there is no supply for VAT purposes and no VAT is charged.

### Planning Ahead Before You Buy – Restructuring and Group VAT Registration

When considering a care home acquisition, it is important to establish whether VAT is being charged on the purchase and also whether that VAT is recoverable by the purchaser (either in full or in part). It may be the case that a group restructure is required to enable VAT recovery by the purchaser, or that VAT registration is required to enable the transaction to be treated as a TOGC. Both these scenarios need to be reviewed on a case by case basis and, if found to be beneficial, planned for well in advance of any acquisition. Current delays at HMRC may result in a VAT registration number not being approved and issued in time to prevent VAT being charged on the purchase or, failing that, to enable VAT to be reclaimed on the purchase.

For more details on how our Group Restructure and VAT Registration could enable your care provision not only to reclaim VAT but also the associated business efficiencies which it involves, please contact **Emma Harrison** at **VAT Solutions** [emma@vatsol.com](mailto:emma@vatsol.com) Tel: 0114 280 3630

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