

## **RULES REGARDING THE USE OF ZERO RATING CERTIFICATES FOR PURCHASING MEDICAL EQUIPMENT**

There are certain VAT reliefs available to Universities purchasing equipment (not consumables or services) to be used in medical and veterinary research. The source of the funding is not important so long as the equipment is paid through a Budget Centre account – normally a research account. The relief cannot be used for equipment purchased for, or being used by, another organisation.

### **Qualifying uses**

The equipment **must** be put to a qualifying use, which means that there must be a substantial, real and continuing use in medical or veterinary research; and that at the time of purchase it must be known for what specific purpose the equipment will be used for.

The relief can **never** be used for any purchases going into Stores or Stocks, or where a qualifying use is not known or planned at the time of purchase, or where the qualifying use is less than that required by HM Revenue and Customs (HMRC).

### **Definition of Research**

HMRC define medical or veterinary research as being:

*Original systematic investigations undertaken in order to gain knowledge and understanding of the treatment or palliation of a physical or mental abnormality in humans or animals.*

*It also includes the use of existing knowledge and experimental development to produce new or substantially improved materials, devices, products and processes including design and construction.*

HMRC specifically **exclude** routine testing and analysis of materials, components and processes (eg for the maintenance of national standards) as distinct from the development of new analytical techniques.

HMRC do **not** accept that undergraduates engage in research, or that equipment purchased for general use but used by postgraduate students or other staff, is eligible for the relief.

## Equipment Eligible for the Relief

Relevant goods in the Certificate means **Equipment** and **not** consumables, under the following categories:

- **Medical equipment** – items designed for use in diagnosis or treatment
- **Scientific equipment** – which performs a scientific function, but **not** equipment that operates on a scientific principle
- **Computer equipment** – servers, screens, keyboards, discs and off the shelf software
- **Video equipment** – recording and playback equipment
- **Sterilising equipment** – includes autoclaves but **not** microwaves nor other cooking appliances
- **Laboratory equipment** – includes test tubes, glasswear, Bunsen burners, fume cupboards, laboratory benches and specialised sinks
- **Refrigeration equipment** – includes all cooling and freezing equipment

The relief also extends to the hiring, servicing or repair and maintenance of the above equipment.

Under no circumstances can other services be considered eligible (ie. the conversion or alteration of a building to house the equipment).

Computer software only qualifies for the relief if it is used **solely** for medical research. No other use whatsoever is allowed.

Where the purchase price of a piece of equipment **includes** a connection to a network, or installation and testing, then these services are treated in the same way as the equipment. The relief is not allowed if these services are invoiced separately.

The relief can **never** be used to purchase the following:

- Air conditioners
- Catering equipment
- Chemical reagents
- Cleaning equipment
- Closed circuit TV equipment
- Computer and printer stationery
- Consumables
- Fuel
- Gloves (other than surgical gloves)
- Inks
- Liquids
- Lockers
- Oils
- Other bulk materials
- Paper
- Pellets
- Powders
- Screens

- Security alarms
- Sheets
- Smoke alarms
- Stationery
- Still cameras
- Tape recorders
- Television sets
- Uniforms
- Waste disposal bags and sacks
- Waste disposal equipment

### **Use of the Certificates**

An example of the Zero Rating Certificate is shown on Appendix 7.5, which should be completed, signed and sent to the Supplier with the Purchase Order. The supplier will then zero rate their invoice to the University.

The certificates are set up in Proactis for Budget Centres that use them.

For purchases of relevant equipment from suppliers in the EU, a copy of the Zero Rating Certificate **must** be attached to the Foreign Payments Form (FIN103), otherwise Reverse Charge VAT will be debited to the Budget Centre account. This is non refundable once charged.

For imports from countries outside the EU, Budget Centres **must** ensure that a copy of the Zero Rating Certificate is included with all the documentation accompanying the goods into the UK, otherwise VAT will be charged by the Carrier on behalf of HMRC at the port of entry. It is almost impossible to recover this VAT once it has been paid.

### **Medical and Veterinary Training**

The relief can also be used for the training of doctors, nurses, surgeons, dental surgeons, veterinary surgeons, and other professionals involved in medical or veterinary treatment.

The overall programme of training should include the physical application by the students of theoretical knowledge. The teaching of subjects like biology and zoology, where the trainees have no practical medical or veterinary involvement with patients, is not medical or veterinary training for the purposes of this relief.

## Medicinal Products Relief

There is a similar relief, using the same certificate, which allows Budget Centres to obtain VAT relief on the purchase of the following:

1. **Medicinal products** used **solely** in the care, treatment or research on human beings and animals.
2. **Substances** used **directly** for synthesis or testing in the course of medical or veterinary research.

The relief under Category 1, medicinal products, has very strict criteria and it is highly unlikely that any Budget Centre would be able to use it. The terms are defined as follows:

*Medicinal product means any substance or article administered to one or more human beings 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.*

(Medicinal purpose and administer as defined by the Medicines Act 1968).

## Other Information

It is important to recognise the seriousness that HMRC attaches to any misuse of the Certificates, and it is for this reason that they require the Declaration to be completed and authorised by the Head of Budget Centre, even if someone else is nominated to sign on their behalf.

Copies of Purchase Orders and Zero Rating Certificates must be kept for at least 3 years for inspection by HMRC.

The VAT must always be repaid if the equipment is used for a non qualifying purpose (ie. teaching), or is passed on or sold to a member of staff or to a third party, or is otherwise disposed of.

In cases of serious or persistent misuse, the Director of Finance may withdraw the scheme from any Budget Centre without notice.

Budget Centres will be responsible for repaying any VAT, interest, penalties and fines imposed by HMRC due to any errors made by Budget Centres.

For further advice or to discuss any issues please contact the VAT Section of the Finance Office:

Telephone - 46457  
Email - [vathelpdesk@contacts.bham.ac.uk](mailto:vathelpdesk@contacts.bham.ac.uk)