

Joint Tax CoE, HMRC and HMT VAT Meetings

These meetings are held bi-monthly or as often as required and the statement of purpose is to promote best practice and knowledge sharing within the Government Department (GD) sector in relation to CoE customer GDs – but where practicably possible, other GDs and executive agencies as well. The CoE works in partnership with HMRC and HMT on the impact of VAT changes and their applicability to the CoE.

At our first joint meeting we discussed the **Contracted-Out Heading 14 – IT** and the following principles were agreed in relation to the current HMRC COS14 guidance:

1. The **management of IT contracts and service provision** by a GD does not impact on the ‘fully managed service’ of these contracts (i.e. the risk rests with the supplier). Service Integration & Management (SIAM) being brought ‘in-house’ does not affect recovery.
2. **Disaggregation** of IT towers with some elements being brought in-house does not affect COS14 recovery if the COS14 criteria are still met.
3. **Purchase of hardware** by a GD will never be VAT recoverable because these will always be purchases of goods and not services.
4. The costs incurred on **Transition Partners** engaged to transition IT services from one private sector provider to another are recoverable when the supply remains contracted out i.e. it is still part of the outsourced delivery of the service. This is not the case when the transition is to in-house provision, however HMT / HMRC are separately considering this further and this will be updated in due course.
5. **IT Cloud provision** does not in itself impact on VAT recovery i.e. it is not about where the IT supply is but the IT supply itself.
6. **IT Consultancy services** are recoverable if the activities delivered are within the scope of COS14 as a whole and are not limited to just bespoke supplies or advice.
7. **IT Digital expertise** procured from sources such as G-cloud and where a company supplies a number of experts to deliver IT digital projects or activities would qualify for COS14 recovery, as opposed to single contractors. The important factor here is day to day ‘control’ of the individual(s) rests with the supplier and not the GD.
8. **Videoconferencing** where the supply is via ‘telephone lines’ is not recoverable whereas the IT infrastructure to deliver the supply is.

If you have any questions on the above, please get in touch with your hub contact.