

CONTRACT RESTRUCTURING



Unquestionably, the care industry is going through difficult times due to rising costs and employee shortages. VAT has been a significant challenge for this sector. Care homes cannot currently charge VAT on their income or recover VAT on associated costs, which has left them at a disadvantage compared to other businesses.

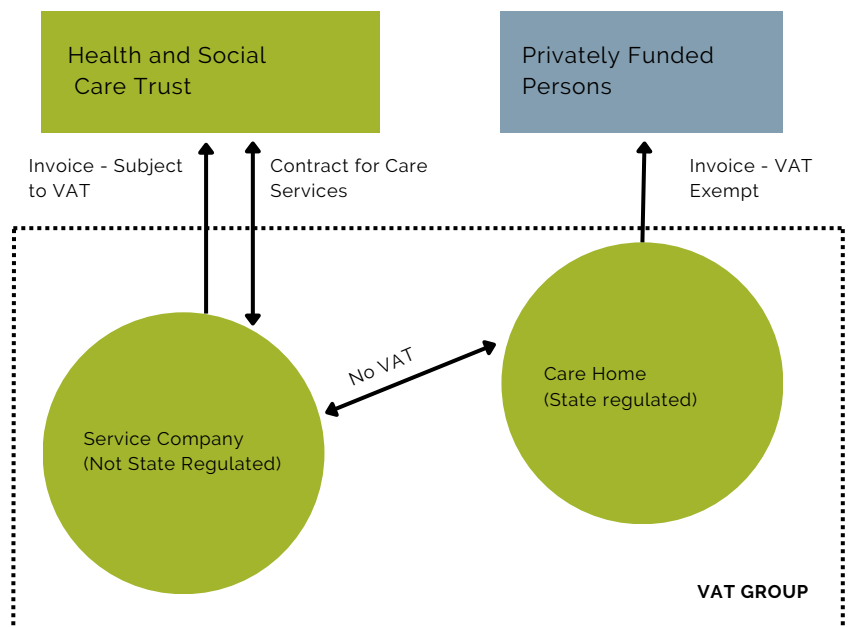
BENEFITS FOR YOUR BUSINESS

The benefits of Contract Restructuring are far reaching, and ongoing VAT savings will be at the fore. Through our contract restructuring opportunity, our VAT specialist team can navigate you through the entire process, from establishing the structure most suited to your business, liaising with HMRC and the relevant authorities, to the ongoing management of the VAT administration process. We can also look at Capital Expenditure such as renovations over the past 10 years to determine if any potential VAT recovery via the Capital Goods Scheme.

Care homes are now being presented with an opportunity to restructure their business to enable some level of VAT recovery and on an ongoing basis. Currently, the care and treatment services that are regulated by the appropriate regulatory body (Eg, RQIA) fall under the Supply of Welfare Services for VAT which means they are exempt.

In order to facilitate the restructuring, The Department of Health, Northern Ireland is currently reviewing a new Regional Care Home contract and it is anticipated that this will be in place by the end of June 2025. This will allow for a new contracts management company of the existing care home to contract with the relevant Health & Social Care Trust to carry out its care and treatment services. As the new company will not be state regulated, it is able to register for VAT. The new service company can then subcontract out the contract to the existing nursing home company, which is state regulated. Any care provided to private patients will continue to be provided through the care home and will be exempt for VAT. A VAT group is formed to allow for the partial recovery of VAT.

A sample structure is shown below, but each care home will require a bespoke solution to meet its specific needs and maximise its VAT saving. Contract restructuring may also be suitable for other care related businesses that are regulated by RQIA.



CONTACT

Contact our team of VAT specialists to discuss the opportunity further:

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