



August 2013

PSNC Briefing 083/13: Enhanced Services VAT and Lloyds Bank Interest Rates

This briefing provides an overview of VAT for LPCs, particularly on Enhanced Services, and highlights a change to the collective LPC banking arrangements with Lloyds Bank.

Enhanced Services VAT

We have been made aware that Public Health staff may not be familiar with VAT as it relates to community pharmacy. LPCs may wish to draw their attention to HMRC's view as set out in HMRC Reference: Notice 701/57 (November 2012) 'Health professionals and pharmaceutical products', Section 11. This can be found at:

http://customs.hmrc.gov.uk/channelsPortalWebApp/channelsPortalWebApp.portal?_nfpb=true&_pageLabel=pageVAT_ShowContent&id=HMCE_CL_000121&propertyType=document#P330_55706

Dispensing is zero rated providing the conditions in s3.2 are satisfied (prescribed by relevant practitioner, dispensed by registered pharmacist, qualifying product, for individual use etc.).

The treatment of other aspects of Essential Services is more complicated, with components being either exempt, outside scope, zero rated or standard rated. (See ss11.4.2 to 11.5) for details.

NMS and MUR Advanced Services are exempt (s11.6).

The VAT treatment of Enhanced Services depends on the specific nature of the service as determined locally, although the guidance does include some examples (s11.7). S11.7.3 makes it clear that PGDs are not prescriptions and the supply of drugs is standard rated, but note that some products (smoking cessation and contraceptives) do attract a reduced rate as set out in ss3.3 and 3.4.

Contractors may be required to send an invoice to local authorities for the services they have provided, on which any VAT must be separately shown.

Lloyds Bank Interest Rates

Steve Cox the Relationship Director at Lloyds Bank has written to announce that, with effect from 1st October 2013, the revised rate of credit interest payable under the LPC banking arrangements will be 0.25% above the Bank of England Rate of 0.5% i.e. 0.75%. This will be reviewed on the three monthly basis.

Steve has asked me to remind you of the benefits of the complete package:-

- A competitive flexible deposit rate, reflecting the aggregate level of credit balances the LPCs hold with Lloyds;
- A choice of online banking options, so there is something to suit different requirements;
- The option to achieve higher interest rates on surplus funds through High Interest Deposits (however, the level of the instant access rate does mean funds would have to be tied up for 6 months or more to improve on it);
- A discounted fixed quarterly service charge, which gives cost certainty;
- A dedicated team familiar with how LPCs operate; the lead contact remains Andrew Granger who can be reached via: Andrew.Granger@lloydstsb.co.uk.

For more information please contact [Mike Dent, Head of Finance](#).