VAT zero rating of goods and services
Goods and services are zero-rated when all of the following conditions are met:

- The goods and services are purchased either by an eligible body or for donation to an eligible body.

- The supply is of either qualifying goods or service is the repair and maintenance of qualifying goods or installation of qualifying goods.

- The supply is of medical, scientific, computer, video, sterilising, laboratory, or refrigeration equipment and this equipment is being purchased to be used by an eligible body mainly for medical or veterinary research, training, diagnosis or treatment.

- UCL provides the supplier with a zero rated certificate confirming that the above conditions have been met.
Why UCL can purchase some medical equipment at the zero rate of VAT:

• UCL as a University is an eligible body. An ‘eligible body’ within the meaning of the 1994 VAT Act is broadly any organisation, which is precluded from distributing any profits, it makes. The definition of an eligible body includes schools, universities, colleges, local authorities, government departments, health authorities, charities and certain un-incorporated associations.

• The medical equipment UCL purchases is purchased with charitable or donated funds or it is purchased by a third party for donation to UCL. All UCL funds are 'charitable' funds regardless of the original source. So zero rating can be claimed on qualifying items purchased for use on commercial grants not just non-business research.
What does the medical equipment need to be used for to qualify for zero rating:

Needs to be purchased for use in Medical Research, Training Diagnosis or Treatment

- Medical research is original research into human or animal disease and injury.

- Medical training covers the training of medical students and other professionals involved in medical diagnosis or 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 does not qualify.
What does the medical equipment need to be used for to qualify for zero rating (continued):

Medical Diagnosis or Treatment
• This is the diagnosis or treatment of a physical or mental illness or injury.
• Equipment purchased or hired for any other use does not qualify e.g.
  - General biological studies
  - Environmental research
  - General administration
  - Sports Science
Which goods can be purchased at the zero rate of VAT:

• Medical, scientific, computer, video, sterilising, laboratory, or refrigeration equipment can be zero rated when purchased by UCL for the qualifying uses mentioned previously.

• Where the equipment is to be used partly for a qualifying purpose and partly for any other use, it can be zero rated only where its main use is Medical research, training, diagnosis or treatment. Main means, real, substantial and continuing. In practice over 50% usage would be considered ‘main’.
What is equipment?

Equipment is articles designed for a specific purpose. Usually durable, although certain disposable items, such as syringes that are designed to be used only once, may still be equipment.

e.g.

**Qualifying Equipment**
- Laboratory benches
- Laboratory glassware
- Pipettes
- Sharp Bins
- Specialist Animal cages and Specialist Bedding
- iPads

**Non Qualifying Equipment**
- Laboratory animals
- Printer Cartridges
- Cleaning equipment
- iPhones
Medical and Scientific Equipment

Medical equipment
• This covers a wide range of goods, from simple items like bandages and tongue depressors, to complex machinery such as x-ray machines and scanners.
• General use items such as a television used to equip a medical facility are not medical equipment.

Scientific Equipment
• This is equipment designed to perform a scientific function. This includes precision measuring equipment and analytical equipment such as thermometers, weighing machines and spectrometers. Equipment that is not designed to perform a scientific function, but merely works on a scientific principle is not scientific equipment.
Computer and Video Equipment

Computer Equipment.
• Computer equipment includes computer hardware such as servers, screens, keyboards and disks. Machinery or other equipment that is either operated by computer or has computerised components, is not computer equipment. Computer software needs to be purchased to be used solely for medical research, training, diagnosis or treatment.

Video equipment
• This includes video recording and playback equipment. Still cameras do not qualify for relief even though they may have a video function. Digital cameras with a video capability do qualify for relief.
Sterilising, Laboratory & Refrigeration Equipment

Sterilising equipment
• This includes autoclaves and other specialised equipment using steam or other high temperature processes. Microwave ovens and other cooking appliances are not sterilising equipment, even if they can be used to sterilise. Sterilising fluid is not equipment.

Laboratory Equipment
• This includes equipment designed to be used in a laboratory, such as test tubes and other laboratory glassware; Bunsen burners, fume cupboards, microtomes, cryostats, laboratory benches, specialised sinks and catch-pots.
• The following are not laboratory equipment:-
• Ordinary cupboards, lockers, seats and other furniture, even when these are used to equip a laboratory;
• General purpose items used to equip a laboratory;
• Consumables such as chemical reagents, medicines and cleaning fluids.

Refrigeration equipment
• This includes all cooling and freezing equipment, whether designed for industrial, domestic or any other purpose.
Parts and Accessories

Parts or accessories for use in or with any of the above equipment will be zero rated. Parts are integral components without which the equipment is incomplete. Accessories are optional extras that are not necessary for the equipment to operate in its normal course, but are used to improve the operation of the equipment or enable the equipment to be used, or used to better effect, in particular circumstances.

For example: A printer for use with a computer, a specially designed camera for use with a microscope, and a rack for holding test tubes are all accessories.

Items that are not parts or accessories include:

- Items that have independent uses, such as television sets
- Accessories to accessories
- Generic bulk substances, such as liquids, powders, sheets, pellets and granules
Imports of Qualifying Equipment

- Purchases of qualifying equipment from the EU and the Rest of the World are zero rated.

- Purchases from the EU are not liable to VAT at the point of import but if they are not qualifying goods for qualifying purposes MyFinance will charge VAT on their acquisition to the project.

- A zero rated certificate must be provided to the supplier in respect of purchases from the Rest of The World if the purchase is qualifying equipment for qualifying purposes.

- Post Brexit, the situation is not clear. Qualifying goods for qualifying purposes will continue to be zero rated. For non qualifying goods there may be a transitional period where VAT would not be charged at import for purchases from the EU and the Rest of the World, instead MyFinance would charge VAT on their acquisition to the project.
What else is eligible for the zero rate:

• **Substances Relief**

In addition to zero rating for the equipment detailed above there is also zero rating for substances directly used for synthesis or testing in medical or veterinary research. ‘Substance’ means any natural or artificial substance, whether in solid or liquid form or in the form of gas or vapour. If the substance is purchased in the form of gas, the zero rating will also apply to the cylinder rental. For example chemical reagents would qualify, fuel and ink would not qualify.

• **Medicinal Products**

Zero rating is available for certain medicinal products to be used in care, treatment or research. A medicinal product is a substance presented as a medicine, or an ingredient for a medicine, capable of being administered to people or animals for a medicinal purpose. The zero rate covers medicinal products bought by UCL for the purpose of testing the efficiency of those products.
Repair, maintenance, hire or installation of eligible goods.

- The repair or maintenance of any of the equipment mentioned above and any goods supplied in connection with this repair and maintenance is zero rated.

- If the normal selling price of relevant goods includes an amount for installation, fixing or connection to mains services and/or testing equipment on site, zero rating applies to the whole selling price – including that element which relates to installation or testing.

- Where building works, such as removal of walls or reinforcing floors for example on the fit out of a laboratory in order to install large items of equipment, these works are standard-rated, even when carried out by the supplier of the equipment.
What does **not** qualify for zero rating:

- With the exception of repairs, maintenance, hire and installation and testing of qualifying equipment, **services do not qualify for zero rating.**

- The following services although purchased for medical research are not eligible for zero rating:
  - DNA sequencing
  - Gene sequencing
  - Biochemical Analysis
  - Nucliec Acid Extraction
  - Immunisation of Rats
  - Pesticide Analysis
  - Mycoplasma Test servicing
  - Hormone Assays
Zero Rated Purchases for Medical Use and MyFinance

- When entering the requisition information in MyFinance select Intended Medical Use and a VAT Zero Rating Certificate will be generated. This certificate must be issued to the supplier before they supply the goods.
- Services other than for repair, maintenance and installation of qualifying equipment should not have Intended Medical Use selected.
Where to find information on Zero rating goods for medical use:

Charity funded equipment for medical and veterinary uses (VAT Notice 701/6)
https://www.gov.uk/guidance/charity-funded-equipment-for-medical-and-veterinary-uses-notice-7016

This link includes a list in point 4.11 of examples of qualifying equipment. The list is not exhaustive, new types of equipment will often be developed. If an item does not appear on this list, the underlying principles set out in the notice should be followed to determine if the item is a qualifying one.

How VAT affects charities (VAT Notice 701/1) 6.1.4 Drugs and Chemicals. 6.1.8. Medicinal products.

In areas of doubt please contact the UCL Tax Department:-
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