

NOTICE 701/7 VAT RELIEFS FOR DISABLED PEOPLE (August 2002)

This is an abridged version by Valentine Wigs, specifically for our customers who have to wear a wig, hair piece or hair enhancement because of a medical condition.

This abridged version is only intended for guidance and should not be relied upon for any legal purposes, for this refer to the full notice 701/7. In our opinion the sections below are the relevant ones for persons suffering a medical condition forcing them to wear a wig, hair piece or hair enhancement.

The complete document, including a printable version, is available online by Googling Notice 701/7 Vat Reliefs For Disabled People.

Further help and advice

If you need general advice or more copies of Customs and Excise notices, please ring the **National Advice Service** on **0300 200 3700**. You can call between **8.00 am and 8.00 pm, Monday to Friday**.

If you have **hearing difficulties**, please ring the **Textphone** service on **0300 200 3719**.

All calls are charged at the local rate within the UK. Charges may differ for mobile phones.

1. INTRODUCTION

1.1 What is this notice about?

This notice explains:

- which goods and services for disabled people are zero-rated for VAT;
- the declaration a customer needs to give to his supplier.

1.2 Who should read this notice?

You should read this notice if you:

- receive goods and services eligible for zero-rating and need to complete an eligibility declaration.

1.3 Terminology

VAT law refers to people who are 'handicapped' and to certain goods designed for severe 'abnormality' and for 'invalids'. **We accept that these terms are not now in general usage and can sometimes cause offence.** We use them in this notice only where it is essential to accurately reflect the wording of the law.

1.4 What law covers this notice?

The VAT Act 1994:

- **Section 30** holds that goods and services specified in Schedule 8 to the Act are zero-rated; and
- **Schedule 8, Group 12** (as amended by SI 1997/2744, SI2000/805 and 2001/754) specifies the zero-rated goods and services explained in this notice.

2. WHEN TO ZERO RATE GOODS AND SERVICES FOR DISABLED PEOPLE

2.1 When can supplies be zero-rated?

Supplies of goods and services are only zero-rated when **all** of the following conditions are met:

- ³⁵₁₇ the customer is eligible to purchase supplies at the zero rate - see Section 3;
- ³⁵₁₇ • the goods are for the personal or domestic use of the customer -
³⁵₁₇ see paragraph 3.5;
- ³⁵₁₇ • the goods and services are eligible to be supplied at the zero
³⁵₁₇ rate - see paragraph 2.4.
- ³⁵₁₇ • the customer is eligible to purchase supplies at the zero rate - see Section 3;

2.2 Do customers obtain a refund of VAT from Customs?

No. Zero-rating works by the supplier not charging VAT.

2.3 Who decides whether goods or services qualify for zero-rating?

The supplier is responsible for ensuring that all the conditions for zero-rating are met.

2.4 Are all goods and services for disabled people zero-rated?

No, only in certain circumstances, which include medical appliances. See Paragraph 4.2 below

3. CUSTOMER ELIGIBILITY

3.1 Who can purchase zero-rated goods and services?

The zero-rating of goods and services for disabled people depends in part upon the status of the recipient - see paragraph 2.1. You can only zero rate supplies to:

- handicapped people - see paragraph 3.2;

Suppliers must take reasonable steps to check that your customer is eligible to receive your goods or services at the zero rate.

3.2 Supplies to handicapped people

You can only zero rate supplies to handicapped people when:

- the person is 'chronically sick or disabled' - see sub-paragraph 3.2.1, and
- the goods and services are purchased or acquired for their personal or domestic use - see paragraph 3.5.

3.2.1 What does 'chronically sick or disabled' mean?

A person is 'chronically sick or disabled' if he/she is a person:

- with a physical or mental impairment which has a long-term and substantial adverse effect upon his/her ability to carry out everyday activities;
- with a condition which the medical profession treats as a chronic sickness, such as diabetes; or
- who is terminally ill.

It does not include a frail elderly person who is otherwise able-bodied or any person who is only temporarily disabled or incapacitated, such as with a broken limb. If a parent, spouse or guardian acts on behalf of a 'chronically sick or disabled' person, your supply is treated as being made to that 'chronically sick or disabled' person.

3.2.2 Terminology

The term 'disabled' is used throughout

3.5 What does for 'domestic or personal' use mean?

'Domestic or personal' use means that the supply must be made available specifically for the use of an eligible individual (or series of eligible individuals).

3.6 Can anyone pay for the eligible goods and services?

As a general rule, yes.

3.7 What evidence must I hold to show my customer is eligible?

We recommend that you obtain a written declaration from each customer claiming entitlement to VAT relief. Such a declaration should contain sufficient information to demonstrate that a customer fulfils all the criteria for eligibility. The declaration should be separate, or clearly distinguishable from, any order form or invoice against which the goods or services are supplied. A customer signing an order should not automatically be signing a declaration of eligibility for VAT relief. There is a suggested declaration form at Section 10 that may be copied or otherwise reproduced by you or the customer.

3.8 What if a customer is unable to make a written declaration?

It may not always be possible for a disabled person to sign a declaration (for example, if the person is a child or unable to write). In such cases, the signature of a parent, guardian, doctor or another responsible person is acceptable on the declaration.

3.9 Can I accept electronic declarations?

Yes. You can accept electronic declarations received, for example over the internet or by fax. Not all electronic declarations will have the means to incorporate a signature. In these circumstances it is important that you retain evidence of the origin of the document, such as the e-mail message incorporating the sender's address. As with paper declarations electronic ones should be distinguishable from an order form or invoice. These declarations must be retained for the same period as general VAT accounts and records, and if held electronically must be capable of being produced in hard copy.

3.10 Use and misuse of declaration forms

A declaration only confirms your customer's status as a person eligible to receive zero-rated goods and services and the use to which he will put the goods or services he buys. It does not mean that the goods and services themselves fulfil all the conditions for zero-rating.

If you believe an eligibility declaration to be inaccurate or untrue, you must not zero rate your supply. You should also take care that procedures, forms and literature do not encourage or lead customers to make such a declaration. There are penalties for making or accepting false declarations and for fraudulent evasion of VAT. If, however, having taken all reasonable steps to check the validity of a declaration you fail to identify an inaccuracy, and in good faith make a supply at the zero rate, we will not seek to recover the tax due, if all other conditions for relief are met. For further information see Notice 48 Extra-statutory concessions.

4. GOODS ELIGIBLE FOR ZERO-RATING

4.2 Medical and surgical appliances

4.2.1 General

You can zero rate the supply to an eligible customer as described in paragraph 3.1 of a medical or surgical appliance that is designed solely for the relief of a severe abnormality or a severe injury.

An 'appliance' is a device or piece of equipment with a specific function. It can be designed for use outside or inside the body.

Examples of severe abnormalities or severe injuries include amputation, rheumatoid or severe osteo-arthritis, severe disfigurement, congenital deformities, organic nervous diseases, learning disabilities and blindness.

4.2.2 Eligible items

Examples of zero-rated appliances include:

- wigs.