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Rt Hon George Osborne MP
Chancellor of the Exchequer
HM Treasury
Internal Delivery Service

23 March 2012

Dear George,

I recently met with Sue Ryder to discuss their campaign around charities and Value Added Tax (VAT). I know the NHS is able to recover VAT on certain non business supplies that charities are not. So when a charity takes on delivery of an NHS service there is a VAT gap that currently needs to be filled by charitable funds or the NHS commissioners.

Neither of these solutions is satisfactory. One acts as a barrier to entry for charities wanting to engage in the Government's agenda and the other acts as a disincentive for NHS commissioners to transfer services to charities. As service transfers from the NHS are set to become increasingly common under the NHS reforms, swift action needs to be taken to ensure charities are not disadvantaged and unable to afford to take on services.

Sue Ryder's campaign concentrates on future service transfers as a consequence of the Government's policy direction and is therefore cost neutral. It simply stops the Treasury from receiving a tax windfall from charities when services are transferred.

I know an amendment passed to the Health and Social Care Bill committing the Secretary of State to look into barriers facing charities in the delivery of NHS services and to issue a report within a year. However, I believe that in the interim remedial action still needs to be taken to ensure that no charities are disadvantaged or unable to participate in the transfer of NHS services as a result of the current VAT system.

I would be grateful if you would let me know if the Government is willing to take such action.

Yours sincerely

Teresa Pearce MP
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