

Ms H Edwards
Capital Planning
Swansea Bay University Health Board
Morrison Hospital
Swansea
SA6 6BL

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Direct Line: 0117 981 2548
Email: tglover@uk.ey.com

Dear Heather

Computed Tomography Simulator (CT-Sim) and Artificial Intelligence (AI) software scheme - VAT accounting treatment and recovery considerations

Further to your recent request, I write to provide you with our observations of the potential VAT accounting treatment in respect of the above scheme with the aim of assisting Swansea University Health Board, ("the Board") with the development and support of the required business case submission to the Welsh Government.

Background

The Board is developing a business case for the development of a second permanent computed tomography simulator (CT-Sim) and artificial intelligence (AI) software scheme located at Singleton Hospital in Swansea. The works will include the following:-

- Removal and disposal of the older CT-Sim machine. Supply, installation and commissioning of the new CT-Sim machine;
- Minor refurbishment works within the existing space in order to facilitate installation of the new CT-Sim machine. The refurbishment works will encompass the existing CT-Sim Space Simulator Room, control room, entrance and prep room;
- Final completion works on the flooring and ceilings, post the new CT-Sim machine installation;
- Re-commissioning of the existing air handling unit;
- Associated mechanical and electrical works;

Scheme costs

The anticipated costs for the scheme will be circa. £2m. The value of the construction works will be circa **£700k**. The equipment cost will be circa **£1.3m**.

Construction start date

The construction start date has yet to be agreed.

Contractor

A contractor will be appointed in due course via the Health Board's local framework agreements.

VAT accounting and recovery treatment position for the Board

Given the information and detail reviewed at this stage, we can only provide a high-level estimate of the likely VAT recovery position for the proposed scheme.

There will be **no** eligibility for VAT recovery on the purchase of the CT-Sim equipment. As such, we have sought to exclude this cost from the VAT recovery assessment below.

The refurbishment works will be eligible for partial VAT recovery and the Board should plan for a nominal **20%** VAT recovery in relation to refurbishment, mechanical and electrical elements of the works. This is on the basis that the refurbishment works are undertaken within an existing building.

Professional fees

Conventionally procured professional fees should be recoverable in full on the scheme as per normal to the extent the facility will be used by the Board to provide non-business NHS healthcare activities.

HMRC notification and approval

As you are aware there is no longer a requirement to submit projects to HMRC for approval, however, we recommend that a normal VAT recovery calculation is undertaken for future inspection by HMRC if required.

There are different HMRC notification and submission requirements for schemes procured via the Design for Life (*DfL") or NHS Building for Wales frameworks.

Summary and conclusion

I trust the above is sufficient for your requirements at this stage of the planning process. As always, if you have any immediate queries or require further clarification of any of the above then please do not hesitate to contact me.

With kindest regards.

Yours sincerely



Tim Glover
Senior Manager - Indirect Tax
EY LLP
UK