



Rt Hon Rishi Sunak, MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ
Sent by email only to: CEU.Enquiries@hmtreasury.gov.uk

8th December 2021

Dear Chancellor

VAT Staff Hire Concession

Our trade association represents employment businesses and others within the recruitment sector and I noticed that you are widely reported to be considering a reduction in VAT rates. I am writing to you to propose the re-adoption of a VAT concession that was designed to assist VAT exempt organisations utilising temporary workers.

For many years prior to 2009 there existed an arrangement with HMRC that allowed employment businesses to supply workers to hirers with no VAT charge on the worker pay element of the full sum charged, so leaving VAT as chargeable only on the agency's own fee element. This was known as the 'VAT staff hire concession'. VAT exempt organisations include, for example, not for profit organisations, charities and public sector bodies including the NHS and education establishments.

This concession was withdrawn by the then Labour government in April 2009 apparently as a result of a requirement to align with EU VAT rules. The consequence was an immediate cost hike for any organisation that had previously benefitted, and a resultant reduction of flexibility in the workforce and loss of work opportunity for temporary workers in the subject sectors.

Now that we are no longer in the EU a reinstatement of the concession would help provide particular support for those hard pressed sectors that are reliant upon donations or state support and have temporary work requirements. At the same time I wonder whether the cost to the Exchequer could be reduced. The current funding of public sector operations for all overhead including VAT pay outs for key temporary staff, such as nurses and doctors, could be lower by 20% for the worker pay element. Some circularity could be avoided. Alternatively, existing funding levels would allow a commensurate greater purchasing power. In either case administrative cost may also be reduced for all concerned.

The original concession applied to any VAT exempt organisation including banks and finance businesses, but with the most needy including the NHS, the care sector, education, local authorities, any new concession could be suitably tailored. Indeed such a concession could be fully adopted as a permanent arrangement.

I commend this proposal to you and look forward to hearing from you.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Adrian Marlowe', is written over the typed name.

Adrian Marlowe

Chairman, The Association of Recruitment Consultancies