

**Partnership of Counselling
and Psychotherapy Bodies**

Extending VAT exemption to counselling and psychotherapy services in support of government policy



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How the government will benefit from reform



This paper evidences how extending VAT exemption to the provision of counselling and psychotherapy services will help the government deliver a series of core policy outcomes. This supports the ambition to **extend the mental health workforce and helps tackle long waiting times for mental health services by delivering an extra million¹ NHS appointments a year.**

Lord Darzi's report on the state of the NHS in England (2024) evidenced the increase of mental health conditions and rising demand on services, highlighting that 'long waits for mental health services have become normalised'.² His report estimated that by April 2024, about one million people were waiting for mental health services. To help address demand Darzi concluded that funding and resources need to be shifted to the community and the **NHS needs to embrace multidisciplinary models of care that bring together primary, community and mental health services across a variety of interventions.**

This small change could deliver extensive benefits, including:

1. Increasing affordability, choice and access to health and care services delivered by private sector providers. This will help address the mental health needs of nearly two million adults³ who are referred for mental health support, but do not access NHS Talking Therapies.
2. Tackling inequality of access to third sector provision of health and care, particularly for individuals from marginalised communities who are underserved in NHS services.
3. Improving UK productivity by supporting people to better manage their wellbeing while working and helping to address record numbers leaving employment due to lack of mental health support.
4. Ensuring the ongoing sustainability of mental health providers who can support the NHS to address unmet need, helping to reduce the burden on NHS services.

¹ Darzi AW (Lord) (2024). *Independent Investigation of the NHS in England*. GOV.UK. Available at: [gov.uk/government/publications/independent-investigation-of-the-nhs-in-england](https://www.gov.uk/government/publications/independent-investigation-of-the-nhs-in-england)

² Darzi AW (Lord) (2024). *Independent Investigation of the NHS in England*. GOV.UK. Available at: [gov.uk/government/publications/independent-investigation-of-the-nhs-in-england](https://www.gov.uk/government/publications/independent-investigation-of-the-nhs-in-england)

³ Mind (2024). *The Big Mental Health Report*. Mind. Available at: <https://www.mind.org.uk/media/vbbdclpi/the-big-mental-health-report-2024-mind.pdf>

VAT across psychological therapy – the current picture

Counselling and psychotherapy services – including voluntary, community and social enterprises (VCSEs), charities, and counsellors and psychotherapists in individual and group practices – are required to register for VAT when their taxable turnover from the provision of mental health services exceeds, or is likely to exceed, £90,000 in a 12-month period.

While therapists are entitled to claim a deduction for outgoings incurred on any practice expenses (electricity, phone, rent etc), this 'input VAT' will not usually be significant.

VAT fees either have to be absorbed by the service provider or passed on to the client. Clients are typically not VAT registered and therefore cannot reclaim VAT on fees. Any additional cost, particularly during these challenging financial times, represents a significant barrier to vulnerable people being able to access vital mental health support when they need it. It also puts unnecessary added financial burdens on an already struggling third sector.

An anomaly which makes therapy less accessible

While psychologists, art therapists and drama therapists – who the government regulates by statute – are able to offer VAT exempt services, counsellors and psychotherapists cannot. All our trainees receive recognised accredited standards of professional training, and once qualified, provide **the same level of highly professional and ethical services within their own professional sphere and work to their level of competence.** Counsellors and psychotherapists are also recognised in the NHS Long Term Plan within the 12 distinct psychological professions delivering NHS commissioned healthcare alongside psychologists and other mental health practitioners (NHS England, 2019).

According to Health Professionals and Pharmaceutical Products (VAT Notice 701/57), under the heading *Psychologists' services*, VAT exempt 'medical care' 'means any service relating to the protection, maintenance or restoration of the mental health of the person concerned. Medical care includes services such as counselling, working with children with emotional problems, dealing with criminals' behavioural problems or running stress management courses.'⁴ Despite this clear definition of medical care from HMRC, counselling and psychotherapy services delivered by our members, all provided for this same purpose, remain subject to VAT.

⁴ Health professionals and pharmaceutical products (VAT Notice 701/57). HM Revenue and Customs 2014 (updated 2025). Available at: <https://www.gov.uk/guidance/health-professionals-pharmaceutical-products-and-vat-notice-70157>

Correspondence from the previous Financial Secretary to the Treasury, Nigel Huddleston MP, on this issue stated that the rationale for the existing exemption being limited to 32 professions was on the basis that they are all subject to statutory regulation *'where members can be removed from the register if it is believed they cause harm to the public'*. This reasoning was reiterated by former Economic Secretary to the Treasury, Tulip Siddiq MP in an answer to a parliamentary question on the subject in December 2024.

This position neglects to recognise that the 11 counselling and psychotherapy professional bodies in the UK are subject to regulatory oversight by the Professional Standards Authority for Health and Social Care (PSA) under the Accredited Registers programme.

This scheme, established under section 222 of the Health and Social Care Act 2012, accredits the registers of counselling and psychotherapy professional bodies and includes strict requirements to ensure public protection. This includes the removal from registers of therapists who have been found to have caused harm. The PSA is accountable to parliament.

While organisations accredited by the PSA do not fall under government oversight, in response to a parliamentary question in November 2024, the Minister of State for Health, Karin Smyth MP, clearly expressed the government's confidence in voluntary accredited registers:

*'The government would encourage anyone accessing the services of independent psychotherapists or counsellors to establish whether a practitioner is registered with a voluntary accredited register through the PSA website. To meet the standards for PSA accreditation, an organisation must have a focus on public protection and robust processes for handling complaints against practitioners.'*⁵ (UK Parliament, 2024)

The lack of recognition of these PSA registers in line with other mental health professionals therefore seems anomalous in light of the government's most recent support for them.

⁵ UK Parliament (2024) *Written question: Psychologists: VAT, UIN 10095, tabled on 21 October 2024*. Available at: questions-statements.parliament.uk/written-questions/detail/2024-10-21/10095



Removing barriers to help reduce the burden on NHS services

A third of UK adults have previously sought help from a counsellor or psychotherapist, and a further 20% have considered it, but not yet taken it up. Cost is the biggest barrier to accessing professional mental health support with 37% of those who have considered it, but not gone through with it giving the cost as a reason.⁶ The British Association for Counselling and Psychotherapy's (BACP) 2024 member survey additionally highlighted that 56% of respondents are seeing clients cutting back or cancelling therapy sessions due to money worries. Removing VAT on private counselling services would help to make these services more affordable and ultimately improve access and **help to reduce NHS waiting lists.**


The National Counselling and Psychotherapy Society's (NCPS) 2024 annual member survey showed that:

70% of members have seen private clients who were trying to access support through the NHS, but ended up accessing private therapy due to NHS waiting times.

Third sector providers are additionally hampered by VAT charges, limiting their capacity to support the government to address waiting times. In its February 2024 State of the Sector report, the think tank New Philanthropy Capital (NPC, 2024) estimated that charities prop up state services by £2.4bn a year. Despite this, third sector services are experiencing rising costs, affecting their ability to continue to operate. A VAT exemption would reduce this financial burden on third sector counselling and psychotherapy providers, maintaining their capacity to support stretched statutory services.

In a 2023 BACP survey of its voluntary/not-for-profit organisational members in England, services reported a growing demand for therapy alongside increasing financial fragility. 68% of respondents reported not having funds to meet the current demand and 64% were facing cuts or closures. VAT on counselling and psychotherapy for these VCSE services is an unnecessary financial burden and, for many, a threat to ongoing survival.


⁶ British Association for Counselling and Psychotherapy/YouGov (2023). YouGov/BACP Public Perceptions Survey. Date received: March 2023.



The requirement to charge VAT also acts as a barrier to the expansion of private, affordable counselling and psychotherapy at a time when the government is committed to the expansion of provision of mental health services. Private providers are crucially needed to meet current and expected demand. The NCPS 2024 annual member survey highlighted this demand with 80% of members seeing clients who have accessed NHS Talking Therapies and attended therapy, but felt they needed further support from a counsellor or psychotherapist in private practice.⁷

'After over 20 years of helping thousands of children, young people and adults that have experienced trauma, we are now in a position of filing significant losses or barely breaking even. The present position as a result of becoming VAT registered is that the business is now in crisis contingency planning with a real and imminent threat of closure. Not only will this have a devastating effect on the existing clients and staff, it is also completely contrary to national need and demand for mental health services and government drives to address the mental health needs of children young people and families as well as adults in general.'

Email case study from private therapy service, 2024



⁷ NPC (New Philanthropy Capital), 2024. *State of the Sector 2024: Ready for a reset*. NPC. Available at: npproduction.wpenginepowered.com/wp-content/uploads/2024/02/NPC-State-of-the-Sector-2024-Ready-for-a-reset.pdf

Taking action to address this anomaly

Extending VAT exemption to counselling and psychotherapy services is long overdue and would remove a needless barrier to people accessing care.

The cost to the Treasury to introduce this exemption would be small and the benefits would be significant.

The exemption can help to support the nation through the mental health crisis by easing routes to access, which are firmly in line with government policy.

In view of the highlighted anomaly and to help counsellors and psychotherapists play a key role in supporting the government to deliver its commitment to address waiting times for mental health services, **VAT exemption must be extended to psychological services provided by counsellors and psychotherapists on a PSA accredited register.**



Testimonies from providers

1 VAT as a barrier to access

'This lack of equity between counsellors/ psychotherapists and many other akin professions strongly disadvantages and penalises therapists, and sadly creates significant barriers to accessing counselling or mental health support from the private sector, who historically have had a significant part to play in bringing down statutory waiting lists, and meeting oversubscribed mental health services demand that the statutory and third sector cannot meet alone.'

Email case study from private therapy service, 2024

'Originally, we attempted to absorb the costs as we were aware that we had to act ethically and in the best interests of our clients, many of which were already well into the therapeutic work. We were aware that increasing the therapy fees by 20% to accommodate the VAT would result in vulnerable clients' needing to cease therapy.'

Email case study from private therapy service, 2024

2 Improving service sustainability

'Remove VAT from community and mental health services outside of the NHS. Enable people on low incomes to benefit from a faster referral by not forcing private and small organisations to cap their expenditure to avoid VAT registration.' **Response from BACP member to consultation on Labour's Mental Health Review, February 2024**

'Charging VAT for psychotherapy services limits the amount of clients many practitioners in private practice are willing to take on because often therapists try to stay below the turnover threshold for VAT to avoid needing to pay it. For those therapists who need to go above the VAT threshold, because they are the sole provider for a larger family for example, it means that higher fees need to be charged to clients and fewer concessionary places can be offered to clients. This is a lose/lose situation for all.' **Response from BACP member to consultation on Labour's Mental Health Review, February 2024**



3 Improving support for marginalised communities

'In relation to VAT, this was incredibly problematic to us as an organisation. When we hit the threshold for VAT, we had no choice but to increase client prices to offset the VAT. This then impacted upon our service users' ability to afford therapy, and perhaps increasing the inequalities for people on lower incomes.'

Email case study from third sector counselling provider, 2024

'We would like to use profit to invest more in applicants from diverse backgrounds, broaden our provision to offer greater flexibility to applicants, develop a clinical wing, research facility, etc. If we were VAT exempt our reach into the community would be greater, our provision of training and therapeutic services more effective. This is particularly crucial as the provision of mental health services through the NHS is stretched beyond capacity. Psychotherapy could provide essential treatment for patients, and health and social care staff.'

Email case study from therapy and training provider, 2024

'The government could help therapists in private practice to take on a larger client load and to provide therapy to a wider socio-economic group of people (ie lower income people) by eliminating VAT to be paid for psychotherapy services. This would allow practitioners to take on more clients without fearing to go above the VAT threshold (£90,000) or, if above the threshold already, eliminating VAT would enable therapists like myself to charge lower fees and to offer more concessionary rate places to people. At 20% VAT this is currently very difficult.'*

Response from BACP member to consultation on Labour's Mental Health Review, February 2024

*applies to individual and group private practitioners



Partnership of Counselling and Psychotherapy Bodies (PCPB)

The Partnership of Counselling and Psychotherapy Bodies (PCPB) is a collaboration of six counselling and psychotherapy bodies with Professional Standards Authority (PSA) accredited registers which between them represent approximately 75,000 registrants and a wider 105,000 members.

The following organisations make up the PCPB:

Association of Christians in Counselling and Linked Professions (ACC)

British Association for Counselling and Psychotherapy (BACP)

British Psychoanalytic Council (BPC)

Human Givens Institute (HGI)

National Counselling and Psychotherapy Society (NCPS)

United Kingdom Council for Psychotherapy (UKCP)

For more information about the partnership visit: pcpb.org.uk

