
VAT Treatment of the Hire and Laundry of Linen

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1. Introduction

This guidance sets out Revenue's position in respect of the VAT treatment of the supply of a fully managed service comprising of the hire and laundry of linen in the healthcare sector.

2. VAT rate on the hire of linen

The hire of linen is subject to VAT at the [standard rate](#).

The total consideration is liable to VAT at the standard rate in circumstances where the consideration received for hiring linen includes an element for maintaining the linen, and other services including the collection, delivery, sorting, and replacement of linen.

3. Revenue concession

Revenue recognises, however, that special consideration is required in respect of the VAT treatment of the supply of a fully managed service comprised of both the hiring and laundering of linen.

These goods, when on hire, require regular laundering to a specified standard in order to be of continued benefit to the lessee. In acknowledgement of this position, Revenue agreed the following concession with service providers in 1986.

The hire/laundry of "linen" (i.e. sheets, towels, tablecloths, certain clothes such as uniforms and overalls, etc.) needs special consideration. These goods, when on hire, require regular laundering in order to be of continuing benefit to the lessee.

Accordingly, if a particular quantity of specified linen were hired to a customer at a VAT rate of standard rate, a separate contract for the laundering of the same linen would be likely to attract the reduced rate.

The goods would have to be clearly marked as proper to the relevant customer and the charge at the reduced rate (as well as the hire charge at standard rate) would have to be commercially realistic. (Items such as hired rolls of towelling which are

merely replaced periodically by other non-specific rolls would not in any circumstances qualify for the reduced rate).

4. Operational issues

Revenue has identified two specific operational issues in relation to the application of the concession in the healthcare sector. The issues relate to:

- Commercial and economic reality and
- Customer marking.

This guidance seeks to provide clarity in respect of these issues.

4.1. Commercial and economic reality

It has come to the attention of Revenue that a small number of suppliers are contending that the linen is hired for free. Revenue is of the view that the linen is not hired for free, as this does not reflect the commercial and economic reality of the transaction.

The concession requires that a hire charge must arise and this hire charge must be commercially realistic. This commercial reality must take account of the cost to the launderer of providing the linen and the useable life of the linen. The useable life will vary depending on the nature and use of each item.

4.2. Customer marking

Revenue understands that there have been significant advancements in the healthcare sector since the concession was introduced. Healthcare facilities require a fully managed service comprising of the hire of linen that has been laundered to specified and auditable standards.

For example, sterile linen must be laundered in compliance with the relevant regulatory quality standards, and pre-laundered linen must be handled in a manner that minimises health risks. Revenue accepts that linen laundered in a manner by which the laundered items are traceable to the laundered process, may be accepted as meeting the customer marking requirement of the concession.

5. Implications of the revised guidance

Revenue continues to accept, on a concessional basis, that the laundry element of the supply of a fully managed service comprising the hire, laundry, collection, delivery, sorting, and replacement of linen in the healthcare sector is likely to attract the reduced rate if there is a separate contract for the laundry element of the supply that reflects the ***commercial and economic reality*** of the transaction.

The hirer of the goods is no longer required to mark the goods as proper to a relevant customer, where the laundered items are traceable to the laundered process.

It is important to note that the entire supply is liable to VAT at the standard rate in circumstances where the supplier does not comply with the terms of the concession.