

**V**alue

**A**dded

**T**ax

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## INTRODUCTION

This VAT guide is for general guidance only. It should serve for most subjects and indicate to the user where further advice should be sought on more complex vat issues.

This guide only deals with how VAT should be dealt with as a Local Authority and should not be used to give guidance to any outside bodies.

Any VAT queries should be addressed to:

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Cathy Vart

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[vartc@caerphilly.gov.uk](mailto:vartc@caerphilly.gov.uk)

# BASICS

## V A T

### VALUE ADDED TAX (VAT)

**VAT** is a tax on consumer expenditure that is collected on business transactions. Most business transactions involve supplies of goods and services and VAT will be chargeable where:

- Supplies are made in the UK or Isle of Man;
- Supplies are made by a taxable person (i.e. an individual, firm, company that is required to be VAT registered where their turnover exceeds the annual threshold as set by the government);
- Supplies are made in the course or furtherance of business;
- Supplies are not specifically exempt or zero-rated;

The VAT Act 1994 requires that all Local Authorities be registered for VAT if they make any taxable supplies to third parties (but not inter departmental supplies – see page 7)

### OUTPUT TAX

This is the VAT due on the taxable supplies we make, i.e. income collected. This has to be paid over to HM Revenue & Customs.

### INPUT TAX

This is the VAT we are charged on our business purchases and expenses and can be reclaimed from HM Revenue & Customs.

Local Authorities are also allowed to reclaim the VAT incurred on goods and services purchased in respect of their own **non-business** activities.

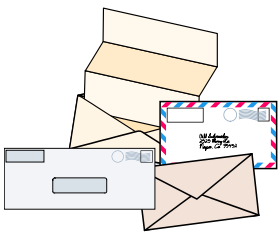
### VAT RETURNS

Caerphilly County Borough Council makes monthly VAT returns.

### RETENTION OF DOCUMENTS

All documents relating to VAT must be kept for six years. The documents should be available for inspection by both Corporate Finance and by officers of HM Revenue & Customs during the visits they make.

THE BASIC RESPONSIBILITY FOR THE CHARGING OF VAT LIES WITH THE DEPARTMENT ISSUING THE INVOICE OR RECORDING THE INCOME. Any queries relating to whether VAT should be charged on supplies should be addressed to Gwyneth Grahame or Cathy Vart.





## VAT LIABILITY

There are currently two categories into which supplies of goods and services are grouped:

### BUSINESS ACTIVITIES

Activities by local authorities, which can be or are provided in competition with supplies of similar goods or services made in the private sector, are generally considered to be business and are subject to the normal requirements of VAT. They are therefore all liable to VAT, unless they are classified as zero-rated or exempt.

The Authority makes both taxable (positive and zero rate) and non-taxable (exempt) supplies.

Every supply must be correctly classified and coded to ensure that:

- a) VAT is properly charged when required, and
- b) We are able to identify the exempt activities that might result in a restriction of our ability to recover VAT on related expenditure.

### TAXABLE

There are three rates of tax, namely

- 1) Standard Rated - currently 20%

All supplies of goods and services are taxable at this rate unless they clearly fall into one of the other categories.

- 2) Reduced Rate - currently 5%

Certain supplies of fuel and power for domestic use, charitable use and to other qualifying dwellings, e.g. homes and institutions providing residential care for children, hospices, etc. Installation of certain specified energy-saving materials.

- 3) Zero Rated - 0%

This means that although the goods are a business supply the VAT is zero. Be careful because the goods and services in this rate are still business and have to be taken into account as taxable supplies even though the rate is 0%, e.g. construction of domestic accommodation.

### EXEMPT

Businesses making exempt supplies are not able to recover all the VAT on their expenditure. However, where such expenditure is considered negligible (below 5% of the total input tax), the authority may ignore it. However, if our 5% limit is breached, we have to account to HM Revenue & Customs for the entire amount of the input tax attributable to exempt supplies, which could cost the Authority approximately £1.5 million per year. Consequently, it is imperative that any new and potentially exempt activity is promptly reported to Accountancy. Examples of exempt activities may include the provision of non-statutory education, leasing of land and property, or sporting/recreational courses with instruction.

### NON-BUSINESS ACTIVITIES

VAT is not chargeable on non-business activities. 'Local Authorities' non-business activities include: -

- Supplies over which Local Authorities have a statutory monopoly, e.g. planning application fees;
- The provision of services fully funded by taxes and grants, e.g. supply of primary and secondary education; and
- The free provision of most goods and services, e.g. loan of books from libraries.

### **General Information**

Detailed information on the liability of Local Authority activities is given in the appendices to this handbook. Any doubts as to the correct liability should be referred to Accountancy.

When raising a sundry debtor invoice you should ensure that the correct box for liability is ticked so that the correct VAT designation is shown on the invoice. Likewise when paying in income, we need to ensure that correct codes are used so that the VAT treatment is correct.



### **INTERNAL CHARGES**

Charges between different departments in the authority are outside the scope of VAT. VAT is not chargeable because there is no supply being made to a third party, see also page 5.

PLEASE NOTE THAT INTER DEPARTMENTAL INCLUDES SCHOOLS



## TAX INVOICES AND TAX POINTS

The VAT system depends heavily upon the 'tax invoice'. It is both the main basis for the charge of output tax and the required evidence to support claims for refund of input tax. Registered traders supplying standard rated or lower rated goods or services to other registered traders **must** issue a tax invoice. Most businesses, except retailers, issue tax invoices to their customers as a matter of course, but **all** registered traders must provide one on request.

There is more than one kind of tax invoice. A full tax invoice **must contain the following information**: -

- An identifying number
- The suppliers name, address and VAT registration number
- The date of supply
- The customer's name and address
- The type of supply (sale, hire purchase, loan, hire, etc.)
- A description of the goods or services, including for each description the quantity, the items charge excluding VAT, and the rate of VAT
- The total charge excluding VAT
- The rate of any cash discount (see below)
- The total VAT

If the charge, including VAT, is £250 or less, a less detailed invoice can be issued, but this cannot include zero-rated or exempt supplies.

## DISCOUNTS

### CASH DISCOUNTS

VAT is payable on the lower amount, because the consideration is only the sum of money that has actually been paid.

### PROMPT PAYMENT DISCOUNTS

VAT on prompt payment discounts is a little more complicated! The VAT will be based on the actual amount received but the supplier will need to account for the VAT and prepare the invoice *before* the amount is received. The supplier can choose to issue a credit note to the customer if it takes advantage of the prompt payment discount offered. This will be the discount plus VAT. Generally, however, a supplier will put further information on their invoice instead of issuing a credit note. This is a statement that the customer can only recover the VAT actually paid and an inclusion of the discounted price, the VAT on the discounted price and the total amount due if the discount is taken up. The HMRC advised wording is:

A discount of X% of the full price applies if payment is made within Y days of the invoice date. No credit note will be issued. On payment, you may only recover the VAT actually paid.



## INTER AUTHORITY SUPPLIES

### SUPPLIES OF GOODS

All supplies of goods between Local Authorities must be treated as business supplies and are taxable under the normal liability rules.

### SUPPLIES OF SERVICES

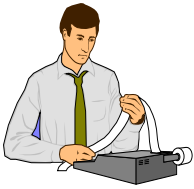
Supplies of services between Local Authorities are governed by the same liability rules as for any other transaction.



- Supplies of services made under a statutory obligation and not in competition with the private sector must be treated as non-business.
- Supplies of services not made under a statutory obligation and not in competition with the private sector should be treated as non-business but may be taxed if both parties agree.
- Supplies of any services in competition with the private sector, whether or not made under a statutory obligation, are business supplies and are subject to the appropriate rate of VAT.

The effect of the rules is that virtually all supplies between Authorities are business transactions and are liable to VAT. There are a few exceptions and these can be found in the appendix showing liabilities at the rear of this guide.

**ANY VAT LIABILITY QUERIES SHOULD BE REFERRED TO ACCOUNTANCY.**



## VAT ACCOUNTING

### EXPENDITURE

When checking invoices for payment it is not necessary to verify the tax calculations since the person issuing the invoice is responsible for the accuracy of the VAT. The authority can recover the amount shown. However, significant errors in the tax should be queried and to correct any miscalculation the supplier should issue a credit note to adjust the value of the supply. All documents relating to the transaction should be filed together.

### NEVER ALTER TAX INVOICES

Payment should only be made on original invoices. If a copy does have to be used e.g. where the original has been lost, then this must be certified as a copy by the supplier.

All documentation, invoices, payment vouchers, should be kept for a period of six years and must be available for inspection by HM Revenue & Customs.

The Authority can reclaim VAT only where a valid tax invoice is held (paragraph 3.1) or on petty cash claims where a till receipt is provided. In most cases the till receipt will provide the VAT registration number.

If a supplier fails to charge VAT on an invoice where the supply is taxable, he can issue us with a "VAT ONLY" invoice. This type of invoice can only be paid by Accountancy. If you receive a "VAT ONLY" invoice, then it should be sent, along with a copy of the original invoice, for the attention of Gwyneth Grahame or Cathy Vart for processing and payment.

### INCOME

#### CASH INCOME

There are six VAT indicators on the cash income system -

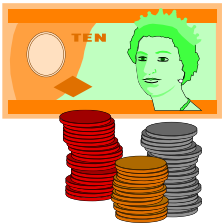
Non-Business	NB
Zero Rated	ZO
Exempt	EO
Standard Rated	S3
Reduced Rated	S1
Outside Scope	OS

There are several codes that have been set up to allow the receipting of items of income where the payer is unsure of the correct code.

They are:     T357   miscellaneous income (non-vatable)  
                  T358   miscellaneous income (vatable)

Where these codes are used as full a description as is possible should be given as to the nature of the income. This will allow for the item to be properly coded at a later date. It will also allow Accountancy to ensure that VAT has been correctly accounted for.

**PLEASE DO NOT USE THEM WHEN YOU HAVE AN INCOME CODE TO SUIT. ONLY USE THEM IN EXCEPTIONAL CIRCUMSTANCES, I.E. ATTEMPT TO ASCERTAIN A CORRECT CODE**





## SUNDRY DEBTOR SYSTEM

Invoices are computer generated following a debtor invoice request. The format of the request ensures that information required on a tax invoice is present.

The debtor invoice request form should include the following VAT indicators against the amounts to each revenue code.

There are five VAT indicators on the Sundry Debtor system.

Standard Rated	1
Zero Rated	2
Exempt	3
Reduced Rated e.g. Domestic Fuel	4
Non-Business	5

## THE APPROPRIATE INDICATOR MUST BE COMPLETED ON ALL REQUESTS

### TIME OF SUPPLY

It is important to ascertain the correct TAX POINT when issuing sundry debtor invoices in order to avoid penalties and interest from HM Revenue & Customs. The tax point determines when VAT output tax is payable to HMRC and on which VAT return the tax is declared. There are different rules applicable for the supply of goods, services and continuous supplies.

The basic TAX POINT occurs upon the delivery of the goods or performance of the service, unless a VAT invoice is issued before or payment is received before, in which case it will occur at this earlier point. Once goods are delivered or services are performed, the authority has **60 DAYS** in which to raise a tax invoice, at which time a later tax point is created.

For continuous supplies there is no basic tax point. The tax point will occur at the earlier of the raising of a tax invoice or receipt of payment, such continuous services may be maintenance contracts, commercial refuse collection etc.

### MANUAL INVOICING

Manual invoicing systems should not be introduced without the agreement of the Head of Corporate Finance.

### VAT (TAX) INVOICES

Occasionally, you may be asked by a customer to provide them with a VAT (tax) invoice, for example, if they have paid for a service on-line or by visiting a cash office and a "till" receipt is not sufficient. Only Accountancy can issue such invoices, so please ask either Gwyneth Grahame or Cathy Vart to provide one.

### RECOVERY OF VAT ON EXPENDITURE (INPUT TAX)

Input tax is normally recoverable only if it is incurred for taxable (standard, reduced and zero rate) business purposes. However, under special concessions, local authorities can also reclaim input tax (section 33 of the VAT ACT 1994) associated with: -



- All non-business activities as public bodies; and
- Exempt activities, if the related input tax is less than 5% of the total input tax incurred for all purposes. (Accountancy carries out this calculation).

Input tax can only be reclaimed on taxable purchases made by the authority for its own purposes. We cannot use our VAT registration to make tax-free purchases on behalf of third parties. HMRC will look for such purchases and may take prosecution action against the authority (or individual members of staff) if claims have been made to which the authority was not entitled.

#### **INPUT TAX MUST NEVER BE RECLAIMED ON: -**



- The purchase of a car where there is to be any private use. - Private use' includes home to normal base mileage;
- Business entertainment;
- The reimbursement of costs incurred by a **third party**. (The taxable supply is to the third party and the authority has no right to recover any VAT as input tax).
- Pro-forma Invoices. A pro-forma invoice **must** be posted to the cost centre as the **gross** amount, with the VAT being entered as **NIL**. A tax invoice must then be requested and once received forwarded to Gwyneth Grahame or Cathy Vart in Accountancy. An adjustment will then be made to reclaim the input tax and to credit the cost centre with the amount of VAT suffered.

Input tax on car leasing charges is restricted to 50% if there is any private use. Beware of insurance premium tax. **This is not VAT and cannot be reclaimed.**

#### **RECOVERY OF INPUT TAX ON AUTHORITY PURCHASES**

**In order for input tax to be recovered on purchases the Authority must:**

- Place the order and make the purchase itself
- Retain ownership of the goods/services
- Use the item purchased for its own purpose
- Keep sufficient records of the purchase and its intended purpose to enable the goods/services to be easily identified

The above rules do not apply for purchases using donated funds – for such purchases see page 14.

# CORRECTION OF VAT ERRORS

## GENERAL REQUIREMENTS

VAT law on the correction of errors imposes interest charges and penalties on misdeclarations on VAT returns. To avoid penalties we are required to make specific disclosures of most VAT errors to HMRC and for the interest charges calculation errors have to be identified in the VAT accounting period in which they occurred. The authority has a central system for VAT adjustments and all errors must be advised in writing to Accountancy. We will then do the accounting adjustments and notify HMRC where appropriate.



## ERRORS IN DEBTOR (SALES) INVOICES

Errors can arise due to the wrong value of vatable supplies being invoiced, the wrong VAT liability being applied or calculations being incorrect. Once an invoice has been issued corrections should be made as follows: -

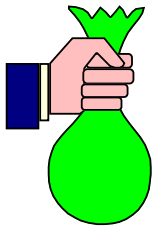
- If you need to increase the VAT, a supplementary invoice should be raised for the additional amount. You should ensure that the supplementary invoice states on it that it refers to goods or services invoiced on the original. An alternative approach would be to credit the total value of the invoice and re-issue it.
- VAT that has been charged can be reduced or cancelled only by the issue of a credit note, which must show all the details as required in a VAT invoice.



## ERRORS IN CREDITOR (PURCHASE) INVOICES

If the tax on a creditor's invoice is found to be incorrect, then the invoice should be processed as it stands. The authority is not responsible for the tax calculation, if however there is a large discrepancy then the supplier should be contacted and informed of this to enable the credit notes or supplementary invoices to be raised.

Any errors in VAT that have not been dealt with in the above should be referred to Accountancy.



## DONATIONS AND SPONSORSHIPS

### DONATIONS

Donations are essentially a gift of goods or money for which the donor **receives no supply in return** and is therefore outside the scope of VAT (i.e. has no VAT implications).

### SPONSORSHIPS

Whilst sometimes very similar to donations, the sponsor frequently receives goods or services in payment for the value of funds they give. This effectively turns the transaction into a **taxable supply**. Thus if a company sponsors a flower bed on a roundabout on a highway or in a park and a sign is put up to show he sponsored that roundabout, then the transaction is the sale of advertising and therefore is VATable at the standard rate.

### INPUT TAX - PURCHASES WITH DONATED FUNDS

Local authorities can claim refunds of VAT which they incur on purchases made with funds given to them for a specified purpose, provided that the authority: -

- Makes the purchase itself, i.e. places the order, receives the supply, receives a tax invoice in its own name and makes the payment.
- Retains ownership of the purchase and uses it for its own **non-business** purposes.
- Keeps sufficient records for the purchase and its purpose to be easily and readily identified.

**All the above conditions must be met.** The funds must be placed in an authority bank account so that it can be seen to be making payment. ***The funds MUST NOT be used for a purchase intended to benefit the donor or a third party.***

# VAT AND EXTERNALLY FUNDED PROJECTS

## JOINT VENTURES, JOINT OWNERSHIP OF LAND, PARTNERSHIPS AND PFIs



### JOINT VENTURES

The term joint venture has no legal significance, but it is generally used to describe a situation where two or more persons come together to pursue a common interest.

Where a joint venture does not result in joint ownership of assets or in a jointly owned company or partnership, then separate VAT registration is not required and the liability to register and account for VAT remains with each of the participants. **In such circumstances the individual participants will need to account for supplies both to external parties and amongst themselves in the normal way.**

In many instances, the local authority will take the lead in such arrangements and will invoice and be invoiced for all supplies made in respect of the venture. In such circumstances the authority will usually be seen to act in two capacities, on its own behalf and as agent for the other parties. In these situations, the authority should invoice the other parties for their share of costs and should be invoiced by the other parties for their share of the sales. These intra-party invoices **MUST** be raised in the same VAT period as the **lead party** is required to account for output tax on sales made, or recover input tax on purchases received, as agent for other parties.

Great care should be taken to differentiate grants, which are outside the scope of VAT, from consideration payable in respect of supplies received, being within the scope of VAT.

In the absence of a jointly owned company or partnership, the key factor to examine is the ownership of land. Generally, provided the beneficial interest in the land is not jointly owned, there will not normally be any requirement for a separate VAT registration.

### JOINT VENTURE COMPANIES

Where a separate joint venture company is formed, this will require separate VAT registration if its taxable supplies exceed the current VAT threshold (£85,000 p.a. from 1.04.21 and is fixed until 31 March 2024).

In this case we will have to consider the liability of the supplies made and received by the joint venture company and the other parties as the joint venture company will probably not have section 33 status. If it does not have section 33 status, then it will be unable to recover VAT in respect of non-business activities where this VAT amounts to over £7,500 per annum. The company will only be able to recover VAT in respect of taxable business supplies. Due to the nature of many joint venture companies, it would be likely that the company will be making very few business supplies.

## JOINT OWNERSHIP OF LAND

An interest in land can be legal or beneficial. A legal interest is the formal ownership of an interest or right over land, such as a freehold or leasehold interest. A beneficial interest is the right to receive the benefit of any supplies made of the land, such as sales proceeds or rental income. A beneficial interest can be held and transferred separately from the legal interest.

Where joint owners receive the benefit of the consideration from the grant of an interest, they are treated as a single person. If the transactions require VAT registration then this requires a separate VAT registration as if they were a formal partnership. Where the benefit of the consideration for a grant etc. accrues to the beneficial owner, but that person is not the one making the grant, the beneficial owner is deemed to be the legal owner for VAT purposes.

## PARTNERSHIPS



A partnership is defined as “the relationship which subsists between persons carrying on business in common with a view to profit” and normally the essential elements would include:

- Two or more parties in business together with a view to making a profit
- Those parties share any net profits or losses arising from the business activities; and
- Those parties individually have the power by their words or actions to legally bind the other members of the firm in relation to transactions with third parties

The term partnership is often used interchangeably with joint venture, however from a VAT point of view a joint venture may or may not be a partnership depending on circumstances. Also, joint ventures between local authorities and other parties can fall short of being partnerships for the purpose of VAT as the venture may not be carried out with a view to profit. Whilst, under English law, a partnership is not a separate legal entity, the formation of a partnership is a separate entity for VAT purposes and has to be separately registered.

Each “partnership” will have to be looked at individually and regard given for many factors, some of which include:

- Balance of risk and reward enjoyed by each party
- Treatment for accounting or direct tax purposes
- Intention of each party
- Banking arrangements
- Title to assets
- Participation in decision making

It is important to remember that all the partners in a firm are liable jointly and severally for all the debts and obligations of the firm, which arise while they are members of that firm.

## JOINT COMMITTEE ARRANGEMENTS AND JOINT INITIATIVES

Again each will have to be looked at individually as there can be three types of arrangements. The separate Legal Entity as described under ‘partnerships’ above and Lead Body arrangements, namely single lead body and multiple lead bodies. Where initiatives are delivered through single lead body arrangement, that body receives and



owns all the funds and delivers the project as lead. If this lead body is a local authority, VAT can be recovered under S33 of the VAT Act 1994. This is provided that any funds, which are made available are: paid to it; belong to it; and the body purchases the goods/services on which the VAT is incurred in delivering the programme.

Where an initiative is delivered by multiple lead bodies, individual partners may be deemed to be a lead body for certain aspects of the initiative. In this case VAT is recoverable according to the VAT regime in which a delivering partner operates. An example of such is joint NHS/LA Initiatives. Local Authorities and NHS bodies are governed by different VAT regimes, local authorities can reclaim most of the VAT they incur in performing their functions and NHS bodies are treated as Government departments for VAT purposes and they are recompensed through their funding for any VAT that cannot be reclaimed. These partnership arrangements may be established in one of two ways.

- The lead partner/lead body is tasked by the other members of the partnership to carry out certain activities and the lead body will receive the funding. Where this lead body is the local authority, it can recover any VAT incurred in the delivery of the programme.
- The lead body acting in an agency capacity for the other partners, in which case it would just be managing the funds for the other partners/ principals. In most cases, the lead body purchases goods and services in its own name to be shared by the other principals. The lead body would then invoice the principals their shares and thereby allowing them to recover any VAT which may be incurred under their own particular VAT regime.

Both partnerships and Joint Ventures create complications in terms of VAT recovery and when to charge VAT. Any queries in relation to these issues should be directed to Gwyneth Grahame who can advise further.

## **PFI (PRIVATE FINANCE INITIATIVES)**

A PFI transaction is a contract under which the consideration received by the authority includes the provision or making available of an asset or the carrying out of works for the purposes of, or in connection with, the discharge of a function of the authority; and the provision of services for the purposes of, or in connection with, the discharge of the same function.



The VAT implications of PFIs depends precisely on what the project entails and how it is structured and usually no two projects are the same. PFIs frequently give rise to complicated VAT issues especially where the contractor is able to generate third party income. An example of which would be the DBFO of a school building where additional income can be generated from the letting or hiring of the school facilities outside of school hours. It is recommended that any queries as to the VAT treatment of PFIs or any other multi-funded projects be directed to Gwyneth Grahame.

**VAT  
STATUS  
OF  
LOCAL  
AUTHORITY  
ACTIVITIES**



# EDUCATION

## Education and Training

<u>Activity</u>	<u>Status</u>
a) The supply of primary and secondary education including the recovery of costs from other Local Authorities for education of their pupils.	Non-business
b) Field studies and organised school visits supplied to our own pupils as part of the curriculum.	Non-business
c) Provision of day nurseries, playgroups, etc. for under 5's. This only applies where the premises are registered under the Children Act 1989 or are Exempt from registration. Supplies from premises that do not qualify would be Standard rated recreational activity. The simple use of the word 'crèche' is not enough to justify exemption.	Non business – but please run all new schemes past Gwyneth Grahame.
d) Adult education for which any charge is made.	Exempt
e) Adult education provided free.	Non-business
f) Training or re-training not provided under a statutory obligation.	Exempt
g) Government funded training schemes.	Exempt
h) Employer's contributions under work placement schemes.	Standard rate
a) Careers services provided under the Employment Rights Act 1993	Non-business where provided under direction from the Secretary of State, otherwise standard rate.



## Supplies Relating to Education

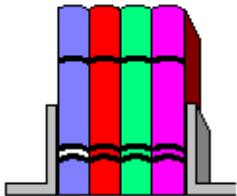
<u>Activity</u>	<u>Status</u>
a) Sale of goods closely related to the provision of education forming part of the curriculum, other than clothing or sports equipment.	Non-business where sold to pupils in class at below cost and for regular classroom use. Otherwise taxable at standard rate.
b) Sale of clothing or sports equipment.	Taxable at the standard rate. Some young children's clothing and footwear is zero rated if below sizes specified by HMRC.
c) Meals supplied to pupils in schools catering outlets.	Non-business
d) Sales of food and drink to own pupils from vending machines, <b>BUT</b> Sales to staff or adults from vending machines are standard rated.	Non-business (unless it is consumed off-site).
e) Sales of food and drink supplied otherwise than in school catering outlets.	Taxable at the appropriate rate.
f) Sale of meals, etc. to staff and visitors.	Standard rate.
g) Supplies of goods and services, e.g. catering, to grant maintained schools.	Standard rate.
h) Sale of class-work to pupils as part of statutory education.	Non-business.
i) All other sale of class-work.	Taxable at the appropriate rate. (Standard - except food and children's clothing, which is zero rated).
j) Boarding and transportation provided in connection with non-business or exempt education.	Non-business or Exempt (following the liability of the education).

- |   |                 |
|---|-----------------|
| k) Boarding or accommodation provided without related education.  | Standard rated. |
| l) The provision of facilities to youth members in return for their subscriptions or for additional payment where the facilities are directly related to the clubs ordinary activities. | Exempt.         |
| m) Other supplies by youth clubs.   | Standard rated. |



### Administration of Education

- | <u>Activity</u>   | <u>Status</u>                                |
|---|--|
| a) Examination and enrolment fees.  | Follows liability of the education provided. |
| b) Preparation of statements for special needs pupils.  | Non-business.                                |
| c) Provision of information. Assessment and administration of complaints relating to the National Curriculum. | Non-business.                                |
| d) School inspections.  | Exempt.                                      |



## ENTERTAINMENT, CULTURE AND RECREATION

### Library Services

- | <u>Activity</u>  | <u>Status</u>   |
|--|-----------------|
| a) Loan of books and talking books.<br>BUT<br>Talking books must be unabridged and any fee charged must be nominal. Accountancy will provide guidance on nominal amount. | Non-business    |
| b) Temporary readers' deposits and library membership fees.  | Non-business.   |
| c) Prison and hospital library services.   | Non-business.   |
| d) Fees, subscriptions and late return charges for the loan of pictures, cassettes, records, compact discs, videos, computer games, etc.                                 | Standard rated. |
| e) Charges for loss of or damage to loan items.  | Non-business.   |
| f) Supply of library services to grant maintained schools.   | Standard rated. |



## HOLIDAYS AND RELATED SUPPLIES

<u>Activity</u>	<u>Status</u>
a) Letting of holiday accommodation and provision of camping facilities.	Standard rate.
b) Letting of pitches for beach huts and holiday caravans.	Standard rate.
c) Mooring rights for houseboats.	Standard rate.
d) Hire of deck chairs.	Standard rate.

### Provision of Facilities and Admissions

<u>Activity</u>	<u>Status</u>
a) Hunting, shooting and fishing rights.	Standard rate.
b) Letting of halls or rooms.	Exempt (see note in Land and Buildings).
c) Letting of circus or fair sites.	Exempt.
d) Letting of facilities for playing sport or participating in recreation.	Exempt.
e) Letting to clubs or other groups of facilities for playing sport for a continuous period of more than 24 hours.	Exempt.

OR

There is a series of lettings of ten or more sessions to a school, club, association, etc. and the interval between each session is at least a day and not more than 14 days. The series must be paid for as a whole and there must be written evidence to that effect, whether or not the right to use that facility for any specific session is exercised. It is important to note that the exemption for a series of lets applies only to schools, clubs or associations or organisations representing affiliated clubs or constituent organisations. It does not apply to non-constituted groups of persons or to commercial organisations.

f) Grant of trading concessions.	Exclusive use of specified fixed site - exempt Other - standard rate.
g) Admissions to entertainment including sporting event, concerts and theatres.	Standard rated.
h) Admission charges to museums and art galleries.	Standard rated.
i) Admission charges to parks.	Standard rated.
j) Admission charges to swimming pools and leisure centres.	Non-business
k) Sporting and recreational courses and instruction	Exempt.



## Miscellaneous

Activity	Status
a) Gaming and Amusement Machines: - Hire of Machines Charges for siting if fixed Machine takings.	Standard rate. Exempt Standard rate Or Non-business dependant on agreement with operator.
b) Sport competition entry fees.	If all entry monies are returned as prizes - exempt Other - standard rate.
c) Sponsorship of events.	Standard rate.
d) Sales of programmes that do not secure admission to performances.	Zero rated.
e) Club subscriptions.	Youth clubs - exempt Other - standard rate.

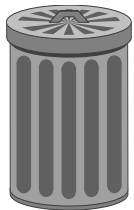


## ENVIRONMENTAL HEALTH AND PROTECTION

### Sampling, Testing and Inspections

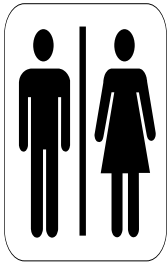
<u>Activity</u>	<u>Status</u>
a) Adjusting, stamping, testing and verification services under the Weights and Measures Act 1985.	Non-business.
b) EU evaluation and surveillance of non-automatic weighing instruments (under Non Automatic Weighing Instruments (EEC Requirements) Regulations 1992).	Standard rate.
c) EU verification of non-automatic weighing instruments (under Non Automatic Weighing Instruments (EEC Requirements) Regulations 1992).	Non-business.
d) Sample and analysis of private water supplies under the Private Water Supplies Regulations 1991.	Non-business.
e) Inspection of imported food under the Imported Food Regulations Act 1984.	Non-business.
f) Emergency investigation and enforcement functions under the Food Environment Protection Act 1985 and the Food Safety Act 1990.	Non-business.

### Waste Control and Pollution

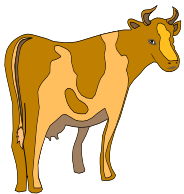


<u>Activity</u>	<u>Status</u>
a) Provision of radioactive waste tips.	Non-business.
b) Charges for special precautions taken for disposal of radioactive waste under the Radioactive Substances Act 1960.	Non-business.
c) Supply of information relating to the keeping and use of radioactive substances.	Non-business.
d) Arrangements for the collection of domestic refuse under the Environmental Protection Act 1990 and the Controlled Waste Regulations 1992.	Non-business.
e) Collection of commercial refuse.	Non-business.
f) Sale of refuse.	Kitchen waste for animal food zero rated other - standard rate.
g) Provision of receptacles for holding refuse.	Non-business where no specific charge is made, otherwise standard rate.
h) Arrangements for the disposal of controlled waste and provision of civic amenity sites.	Non-business.
i) Certificates and duplicate certificates of registration.	Non-business.
j) Charges for copies of entries into register of controlled waste carriers.	First copy of each entry non-business, subsequent copies standard rate.
k) Authorisation for the operation of prescribed industrial processes relating to air pollution control.	Non-business.
l) Register of controlled processes.	Non-business.
m) Removal of litter under Section 89 of the Environmental Protection Act 1990.	Non-business.

## Cleansing and Sanitation



<u>Activity</u>	<u>Status</u>
a) Admission to public conveniences.	Non-business
b) Admission to baths and washhouses.	Standard rate
c) Supply of cleaning and laundry services.	Standard rate
d) Sale of sanitary protection products	Reduced rate
e) Cleansing of private streets.	Non-business where no specific charge is made, otherwise standard rate.
f) Emptying of privies.	Non-business where no specific charge is made, otherwise zero rate.
g) Emptying of cesspools.	Zero rate.
h) Emptying of industrial waste tanks.	Standard rate.
i) Rodent control and disinfection.	Non-business where no specific charge is made, otherwise standard rate.
j) Unblocking, cleaning of drains.	Non-business where no specific charge is made, otherwise standard rate.



## Animals and Livestock

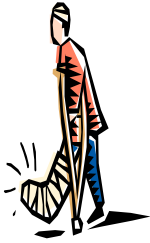
<u>Activity</u>	<u>Status</u>
a) Fees for the maintenance and release to owners of dogs under the Environmental Protection Act 1990.	Non-business.
b) Sale of animals and leads, tags and any other accessories.	Standard rate.
c) Accommodation of animals in quarantine stations, including the provision of ancillary services.	Standard rate.
d) Licensing of red meat slaughterhouses and knackers yards under the Slaughterhouse Act 1974.	Non-business.
e) Stallage, standings or pinnage.	Standard rate.
f) Sale of condemned meat or offal.	Standard rate.
g) Sale of kitchen waste for animal feeding purposes (e.g. pig food).	Zero rate.
h) Pest control.	Non-business where no specific charge is made, otherwise standard rate.

## Miscellaneous



<u>Activity</u>	<u>Status</u>
a) Burials under the Public Health (Control of Disease Act) 1984.	Non-business.
a) Provision of mortuaries under the Public Health Act 1936.	Non-business where directed by the Secretary of State, otherwise standard rate.





## HEALTH AND SOCIAL SERVICES

### Care of the Elderly

<u>Activity</u>	<u>Status</u>
a) Provision of residential accommodation under the National Assistance Act 1948 and the Health Service Act 1977 to a Local Authority's own clients.	Non-business.
b) Domiciliary laundry services to residents.	Non-business.
c) Welfare services including meals on wheels and home helps, e.g. under the National Assistance Act 1948 and the Health Service Act 1968.	Non-business.
d) Rental of telephone, television or radio (under Chronically Sick and Disabled Persons Act 1970).	Non-business.
e) Supply of distress alarms	Standard rate
Or	
If supplied to chronically sick or disabled and the appropriate declaration is held.	Zero rate
f) Administration fees for care and repair schemes under the Local Government and Housing Act 1989.	Exempt
g) Recreational holidays for elderly people.	Taxable under the tour operators' margin scheme.
h) Holidays and outings provided as part of statutory care.	Non-business.



### Care and Maintenance of Children

<u>Activity</u>	<u>Status</u>
a) Day nurseries and playgroups.	Nurseries and playgroups registered under the Children Act 1989 - exempt Other - standard rate
b) Maintenance of children on remand.	Non-business.
c) Guardian ad Litem (probation) fees.	Non-business.
d) Provision of accommodation and maintenance of children taken into care by Care Order made under the Children's Act 1989.	Non-business.
e) Inspection of private children's homes under the Children's Act 1989 and Children's Homes Regulations 1991.	Non-business.
f) Counselling and assessment services under the Adoption Act 1979 and provision of temporary board and lodgings to prospective parents and children.	Non-business.



## Activities Relating to People with Disabilities

<u>Activity</u>	<u>Status</u>
a) Car badges for disabled people.	Non-business.
b) Adaptation of Local Authority's own property for people with disabilities.	Non-business.
c) Adaptation work for privately owned property supplied to people with disabilities.	Standard rate, but certain specified work can be zero rated. Consult Finance Department.
d) Sheltered employment under the Disabled Persons (Employment Act) 1958 - payments received from host firms.	Standard rate.
e) Sales from sheltered workshops.	Taxable under the appropriate rate.

## Miscellaneous

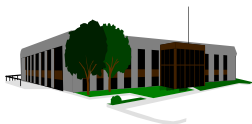
<u>Activity</u>	<u>Status</u>
a) Provision of meals when supplied as part of a package of care at social service establishments.	Non-business.
b) Catering and other services supplied to staff in residential establishments.	Taxable at the appropriate rate.
c) Accommodation supplied to staff in Local Authority residential establishments, whether required to be resident or not.	Non-business.
d) Accommodation supplied to guests and visitors in Local Authority residential accommodation.	Standard rate.
e) Sale of occupational therapy products.	Non-business where retained by the patients at cost of materials, otherwise standard rate.
f) Issue of vouchers on welfare grounds, e.g. for purchase of school uniforms.	Non-business.
g) Provision of care and assessment of needs other than to own clients.	Exempt
h) Funding from Health Authorities that does not constitute the consideration for a supply.	Non-business.
i) Supply of Social Workers.	Non-business where supplied under a statutory obligation or monopoly, otherwise standard rate.
j) Social work including social therapy clubs.	Non-business.

# LAND AND PROPERTY

## Domestic Accommodation and Related Activities



<u>Activity</u>	<u>Status</u>
a) Provision of housing under the Housing Act 1985.	Non-business.
b) Provision of bed and breakfast accommodation to the homeless under the Housing (Homeless Persons) Act 1977 and the Housing Act 1985.	Non-business.
c) Sale of domestic accommodation under the 'Right to Buy' (Housing Act 1985).	Non-business.
d) Incentives paid to tenants to move out under the Housing Act 1988.	Non-business.
e) Sale of leases under the Leasehold Reform Act 1967.	Non-business.
f) Construction of domestic accommodation for sale.	Zero rate.
g) Garages or parking spaces when supplied in conjunction with domestic accommodation and it is in close proximity to the dwelling.  Garages that have been supplied previously as part of the above become <b>Standard Rated</b> if the dwelling is sold.	Non-business.
h) Residents parking permits.	Non-business.
i) Provision of allotments under the Allotments Act 1908-1950.	Non-business.
j) Supply of central heating, double-glazing, repairs and maintenance in Council housing.	Non-business if tenant has no option - Standard rated if optional or at the request of the tenant.
k) Service charges on Local Authority houses and flats sold leasehold.	Non-business.
l) Mandatory service charges on Local Authority houses sold freehold.	Exempt if related to the common areas of the estate, otherwise standard rate.
m) Valuations and legal fees relating to the sale of domestic accommodation.	Business - standard rate.
n) Provision of sites for traveller encampments.	Exempt
o) Repairs and maintenance carried out in connection with a Control Order issued under the Housing Act 1985.	Non-business.



## Commercial Land and Property Transactions

<u>Activity</u>	<u>Status</u>
a) Sale of commercial property or civil engineering works.	Within three years of completion - standard rate. Later than three years after completion - exempt (unless option to tax is exercised)
b) Lease of commercial property or civil engineering works.	Exempt (unless option to tax is exercised).
c) Grant of licence to occupy land.	Exempt.
d) Letting of sites and pitches for market stalls, etc.	Exempt.
e) Letting of leisure centres, halls, rooms, pavilions, etc.	Exempt, but see Appendix B for the letting of sports facilities.
f) Admission to premises.	Standard rate.
g) Grant of mineral rights.	Standard rate.
h) Letting of cattle markets and smallholdings.	Exempt.
i) Rent of sites for kiosk, cafes, etc. e.g. at bus stations.	Exempt.
j) Supply of the right for an independent operator to use a municipal bus station.	Standard rate.
a) Services supplied in connection with the lease of property.	Liability follows that of the main supply of the property subject to conditions - otherwise standard rate.



## Planning

<u>Activity</u>	<u>Status</u>
a) Planning application fees.	Non-business.
b) Building Control fees.	Standard rate.
c) Listed Building Consent under the Planning (Listed Buildings and Conservation Areas) Act 1990.	Standard rate.
d) Provision of information on unused and under-used land.	Non-business.

## Miscellaneous

<u>Activity</u>	<u>Status</u>
a) Default and emergency works carried out under specific legal provisions.	Non-business.
b) Recovery from landlords for restoring disconnected utility supplies under the Local Government (Miscellaneous Provisions) Act 1976.	Standard rate.
c) Contributions made by occupants towards exterior works of group repair schemes under Section 65 of the Housing Grants, Construction and Regeneration Act 1996.	Non-business.
d) Recovery of the cost of acquisition and works to unoccupied listed buildings.	Non-business.
e) Charges made to third parties to recover the cost of repairing damage to Local Authority property.	Non-business.
f) Maintenance and repair of war memorials under the Local Government Act 1948.	Standard rate.
g) Maintenance of closed churchyards in connection with an order served under the Local Government Act 1972.	Non-business.
h) Archaeological investigations carried out under the Ancient Monuments and Archaeological Areas Act 1979.	Non-business.



## ROADS AND SEWERS

### Highways

<u>Activity</u>	<u>Status</u>
a) Highway works for the Welsh Office including reimbursement of audit fees.	Non-business.
b) Reimbursement of cost of maintenance works to highways carried out under Section 187 of the Local Government Act 1972.	Non-business.
c) Private street works, alterations, repairs and maintenance.	Standard rate.
d) Contributions received towards highway works under Section 23 of the New Roads and Street Works Act 1999 (formerly Section 287 of the Highways Act 1980).	Non-business.
e) Dedication of roads and the provision of goods, services or cash contributions, e.g. under the Town and Country Planning Act 1990 or similar planning gain agreements.	Non-business.
f) Road, bridge and tunnel tolls.	Non-business.
g) Erection of directional signs.	Non-business.
h) Construction of vehicle or garage crossings (dropped kerb access).	Non-business.
i) Reinstatement work to highways carried out for public utility companies under Section 70 of the New Roads and Street Works Act 1991.	Standard rate.
j) Investigation, inspection, emergency and remedial works under Section 72-75 of the New Roads and Street Works Act 1991 relating to reinstatement of highways.	Non-business.
k) Street management, e.g. naming of streets.	Non-business.
l) Stopping up of highways, footpaths and bridleways under the Town and Country Planning Act 1990 or the Highways Act 1980, e.g. in connection with the construction of a new or special road.	Non-business.
m) Recovery of costs under Section 76 of the New Roads and Streets Act 1991 in connection with temporary traffic orders.	Non-business.
n) Traffic census provided to the NAW.	Standard rate.



### Parking and Traffic Regulations

<u>Activity</u>	<u>Status</u>
a) Parking meter charges, including excess under the Road Traffic Regulations Act 1984.	Non-business.
b) Off street parking, including excess parking, in garages, building and open spaces, etc. (other than in conjunction with Local Authority domestic accommodation).	Standard rate.
c) Payments in respect of Penalty Charge Notices issued under the Road Traffic Act 1991.	Non-business.
d) Contributions towards the promotion of road safety under the Road Traffic Act 1998.	Non-business.
e) Weigh bridge.	Standard rate.
f) Park and ride schemes.	Zero rate (but check individual circumstances with Accountancy).

### Sewers

#### Activity

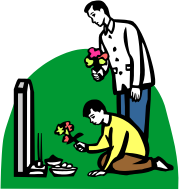
#### Status

a) Sewer connections, repairs and improvements.	Non-business where no specific charge is made, otherwise standard rate.
b) Cleaning, maintenance, unblocking, etc. of sewers.	Non-business where no specific charge is made, otherwise standard rate.
c) Supervision fees for the inspection of sewers under Section 104 of the Water Industry Act 1991.	Non-business for sewers which the Local Authority has agreed to adopt, otherwise standard rate.
d) Default work to sewers, e.g. under Section 59 of the Building Act 1984, Section 35 of the Local Government (Miscellaneous Provisions) Act 1976 or Section 17(1) of the Public Health Act 1971.	Non-business.

## STATUTORY LICENCES AND FEES, PROVISION OF INFORMATION

<u>Activity</u>	<u>Status</u>
a) Charges for all statutory licensing, approval, registration or certification.	Non-business.
b) Civil marriage ceremonies.	Non-business.
c) Sale of electoral lists (including data in the form of magnetic tapes, disks, etc.)	Non-business.
d) Supply of information under the Local Government (Access to Information) Act 1985.	Non-business.
e) Access to information under the Data Protection Act 1972.	Non-business.
f) Provision of information regarding local government, charities and voluntary organisations under the Local Government Act 1972.	Non-business.
g) Index of local charities under the Charities Act 1960.	Non-business.
h) Sale of depositions.	Non-business.
i) Search fees.	Non-business.
j) Definitive maps of public rights of way under the Wildlife and Countryside Act 1981.	Non-business.
k) Publications of designed conservation areas under the Planning (Listed Buildings and Conservation Areas) Act 1990.	Non-business.

## CEMETERIES AND CREMATORIA



<u>Activity</u>	<u>Status</u>
a) Burials and cremation.	Non-business.
b) Digging, preparation and refilling (but not brick lining) of a grave.	Non-business.
c) Removal of a gravestone or other memorial to enable a further re-burial.	Non-business.
d) Supply of an urn or casket containing ashes.	Non-business.
e) The right to a grave space.	)
The right to place an urn in a niche, etc.	) Non-Business
The right to construct a vault.	)
The right to place a memorial on a grave.	)
f) Supply, repair and maintenance of memorials, headstones, kerbs, plaques, commemorative trees, memorial seats, etc.	Non-business
g) Inscription of memorials and entries in a Book of Remembrance.	Standard rate.
h) Exhumation.	Standard rate.
i) Re-burial.	Non-business - unless it is part of a contract for exhumation and re-burial when it is standard rated.



## MISCELLANEOUS

<u>Activity</u>	<u>Status</u>
a) Charges for private telephone calls.	Standard rate.
b) Administration of pension funds for admitted bodies.	Standard rate.
c) Administration of pension funds for own employees and scheduled bodies.	Non-business.
d) Advertising.	Standard rate.
e) Appointment and financing of coroners under the Coroners Act 1988.	Non-business.
f) Car leasing to employees.	Non-business.
g) Compensation.	Non-business.
h) Recoupment, reimbursement, contributions to costs that do not constitute consideration for any supply.	Non-business.
i) Supply of computer services under the Local Government (Miscellaneous Provisions) Act 1976.	Standard rate.
j) Copies of documents not supplied under a statutory obligation.	Standard rate.
k) Supply of catering to employees.	Standard rate.
l) Lost property charges.	Standard rate.
m) Sale of lost, abandoned, salvaged, forfeit or recycled goods, etc.	Taxable at the appropriate rate.
n) Sponsorship.	Standard rate.
o) Sale of equipment, materials, scrap, etc.	Standard rate.
p) Payphones and phone cards.	Standard rate.
q) Sale of petrol.	Standard rate.
r) Use of photocopier.	Standard rate.
s) Sale of postage stamps.	Exempt
t) Supply of printing and stationery.	Standard or zero rate.

### Supply of Staff

a) Secondment of staff for no financial gain where the recipient has full control over duties, etc.	Standard rate - but under very specific circumstances, Non-business, please check with Accountancy
b) Other supplies of staff.	Standard rate.

### Information Supplied Under the Freedom of Information Act 2000

a) If the only source of the information is the local authority	NON-BUSINESS
b) Information supplied without obligation or which can be obtained from another source	STANDARD RATE



## BASIC LIABILITY

- a) The grant of an interest in or right over land or buildings, or of a licence to occupy land or buildings, is exempt.
- b) A licence to use land or buildings is standard rated.

To be exempt, an interest, right or licence must give the person to whom it is granted sole occupation of clearly defined site.

## SUPPLIES OF LAND ON WHICH CONSTRUCTION HAS STARTED

The construction must be beyond the foundation stage, otherwise exemption still applies.

When construction has started on: -

- a) Dwellings or other "qualifying" buildings. Zero rated
- b) "Non-qualifying" buildings or civil engineering work. Standard rate.

## FIRST SALE OF A MAJOR INTEREST IN NEW BUILDINGS OR NEW CIVIL ENGINEERING WORKS

- a) First sale of the freehold or a lease exceeding 21 years of a new "qualifying" building. Zero rated.

The first and subsequent sales of the freehold of a new "non-qualifying" building or civil engineering work.	Within three years of completion - standard rated. After three years - exempt.
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## HIRE OF ROOMS

The hire of a room, other than accommodation in a hotel, boarding house or similar establishment, is generally exempt provided that

- the person to whom we are hiring the room has exclusive occupation of it during the period of hire.
- We have not opted to tax the building.

The exemption covers the included supply of tables, chairs and items such as flip charts and overhead projectors, provided there is an inclusive charge for the room hire. Teas and coffees included in the charge are also covered by the exemption but any other catering must be standard rated.

The exemption also extends to the letting of sports facilities for non-sporting use (e.g. for meetings, concerts, etc.)