

VAT Update - January 2017

In every update, our VAT team brings you a brief summary of news from the world of VAT. This month we focus on items which will be of interest to anyone who....

Is a charity

Durham Cathedral has convinced the First Tier Tribunal that it is entitled to recover some of the VAT incurred on the maintenance of a bridge that was one of several access routes to the Cathedral. HMRC argued that the location of the bridge meant that there was no real link between the cost of the repairs and the taxable income generated by the Cathedral's gift shop.

Applying the recent CJEU case of Sveda, the Tribunal determined that the distance from the Cathedral was irrelevant. The costs were a general overhead of the Cathedral and therefore had a link to all its activities. Charities may wish to review their VAT recovery in light of this decision.

Is part of a VAT group

HMRC is consulting until 27 February on whether to make changes to UK VAT grouping rules. One issue that is being considered is whether to widen the eligibility for group registration to non-corporate bodies.

It is also interested in views regarding the interaction between VAT groups and the cost sharing exemption. Details can be found [here](#).

Is an educational establishment

The AG has released her opinion in the long running case of Brockenhurst College. She opined that the VAT exemption for goods and services 'closely related' to a principal supply of education does not cover supplies made by the students to members of the public. The FT and Upper Tribunals have previously held that charges made to the public to eat at a training restaurant or attend theatrical performances were exempt as 'closely related' to education as it provided students with practical experience. The full court will deliver its judgment in due course.

Outsources all of its administrative functions

A UK company providing deed poll services to individuals tried to avoid VAT by routing its services through an off-the-shelf Jersey company. Had this worked, the place of supply would have been Jersey for both transactions, making them outside the scope of VAT. However, the Tribunal found that the Jersey company had created an establishment in the UK by outsourcing its clerical and admin functions to the UK company. The services were therefore supplied in the UK resulting in a large output tax bill. This case demonstrates the importance of understanding the place of supply rules.

If you would like to know more on any of the points above or have another VAT issue you would like to discuss, please contact Sarah Davis (sdavis@pem.co.uk) or your usual PEM adviser.

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