

## Fwd: Leafield Parish Council - VAT query - Village Hall

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Hi

Response below from OALC regarding the Village Hall's request for the PC to order the works and reclaim the VAT.

The query was sent to Steve Parkinson, his answer below. I sent a copy of our lease with the Village Hall to him to check through.

In short, the VAT on the works is not the council's VAT, and the payment is not a donation. The council should avoid being drawn into an arrangement which is – at best – outside the spirit of the special VAT provisions that councils enjoy.

For VAT purposes the payment from the VHC is not a donation because there is expectation that the council will perform a service in return for payment. Instead, it is categorised as consideration for a taxable supply of services.

If the parish council arranges construction services for payment, then there are 2 outcomes:

- If the value of the works, combined with any other taxable income that the council may have, exceeds £6,000 in a financial year then the council must register for VAT (at some significant inconvenience and cost). It must charge VAT on the value of the works carried out, and only then can it reclaim VAT on the cost, or
- If the council doesn't have to register, then it has no right to reclaim VAT on works that relate to taxable business activities.

Neither of these outcomes satisfy the objective of the VHC avoiding having to suffer a VAT cost on these works.

It would make a difference if the council, as landlord, was obliged under the terms of the lease to carry out these works and also has to right to make a charge to the tenant. Any such charge would probably be additional rent – which is VAT-exempt. The council may still not be able to reclaim the VAT on the costs if it exceeds the value of £7,500 (in combination with any other exempt VAT that the council also incurs) – see [VAT Notice 749 section 7](#). However, there is no indication in the lease that the landlord has any maintenance responsibilities, so this cannot be considered a safe approach.

Regards,

Anne Ogilvie PSLCC  
Leafield Parish Clerk

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The Clerk works 15 hours flexibly over the week, so there may be a delay in responding to emails