

minutes

Committee	CIPFA Value Added Tax Committee
Date	4 July 2019
Venue	CIPFA, 77 Mansell Street, London E1 8AN
Present	Mike Revis (Coventry City Council) – Chair Sarah Bagley (Leeds City Council) Stephen Bevis (Cambridge City Council) Jo Buckmaster (Warwickshire CC) James Clarke (HMRC) Josh Eyre (Deloitte) Peter Gladdish (PSTAX) Paul Hodge (HMRC) Sadik Karim (HMRC) Christopher Palmer (HMRC) Kamran Quadri (HMRC) Karen Regan (East Sussex CC) Paul Rogerson (Cumbria CC) David Smith (HMRC) Karen Thomas (Portsmouth City Council) Jen Thompson (Deloitte) David Webb (HMRC) Claire Williams (HMRC) Kelly Wilson (Gateshead MBC)
Guests	Grant Hitchman (Sandwell Metropolitan Borough Council) Keith Dalton (Derby City Council)
In attendance	Jonathan Last (CIPFA Secretary)

- Action**
- 1 **Welcome, apologies for absence and membership issues**
 - 1.1 Mike Revis welcomed everyone to the meeting, especially noting the high number of representatives from HMRC. Apologies were received from Ian Harris, Peter Briant, Gwyneth Grahame, Simon Mulliner and David Oglivie (HMRC).

Graham Coleman has announced that he has left the committee due to retirement.
 - 2 **Minutes of the last meeting**

- 2.1 The minutes of the meeting held on 6 March 2019 were accepted as an accurate record – except for one amendment (see 2.2).
- 2.2 Jonathan Last will amend 3.5 of the minutes to reflect that Karen Thomas said she would actually send her examples to her CCM, not directly to HMRC.
Jonathan

3 **Matters arising**

The committee considered the matters arising and items carried forward from 6 March 2019:

3.1 **Health and social care integration**

Mike Revis noted the forthcoming review by HMRC of Section 41 bodies. It was hoped that this may break down some of the boundaries to joined up working between NHS and local authority bodies. David Smith could not give a specific timescale for the review

The group decided to drop this from the agenda until such time that the review had been completed.

3.2 **Car parking charges in country parks**

Jo Buckmaster had previously submitted papers to David Ogilvie at HMRC (absent today). HMRC still considering the evidence but David Webb said that it remained HMRC's view that they could not see any special order that related to parking. HMRC will reply formally to that effect.

HMRC

3.3 **Making Tax Digital (MTD)**

HMRC confirmed that despite Phase 1 being delayed until 1 October 2019, LA's can volunteer to sign up early, if they wish to. However once a LA has signed up, it cannot go back to submitting VAT returns via the government gateway.

Agent Services Account (ASA)

Local authorities are confused about whether they need to sign up as agents. Claire Williams clarified that any entity making a charge for providing financial services (ie payroll, accounting, preparation of returns services) is deemed to be acting as an agent and so needs to sign up as an agent. In addition, it is necessary for the entity to register for Anti-Money Laundering Supervision (AMLS).

Grant Hitchman said that he was informed in December 2018 that it is now mandatory for local authorities to register as agents, and that this will create huge admin and monetary costs for authorities due to the necessity to register with AMLS. It has been accepted in the past that LA's do not need to sign up for AMLS.

Kamran Quadri said that this would suggest that there is a wider issue here that goes beyond MTD specifically – upon which the HMRC representatives present are not placed to comment. Claire will contact the HMRC's AMLS team and will provide feedback on whether local authorities can be excluded from the necessity to register.

Meanwhile, the group will send Mike examples of the situations among their authorities where they file VAT returns or provide financial services on behalf

of other organisations. The detail should include the relationship with the organisation and whether there is a charge for providing this service.

School VAT returns

The committee asked HMRC about possible exclusion for LEA (Local Education Authority) schools. Paul Hodge clarified what the Phase 2 requirement is: manual output is not MTD compliant. A portal that a spreadsheet could be fed into digitally is OK – for example, using a .CSV file. Cut and paste, however, is not acceptable as it does not provide a digital link.

Paul asked the group for examples of where it would be impractical/prohibitive for authorities to comply with MTD. Again, the group will send these to Mike to compile and pass on to HMRC.

Ctee/HMRC

3.4 VAT Notice 749: Local Authorities and Similar Bodies

Peter Gladdish has pointed out some anomalies to HMRC in an email. The recipient, David Ogilvie, is still to reply. The committee also awaits David O's response to its list of queries as below:

- VAT recovery on staff and volunteers' expenses
- VAT treatment of the transfer of assets between statutory bodies
- VAT treatment of the transfer of assets to the community
- VAT treatment of entertainment, etc expenses incurred by LA chairs, mayors, etc
- VAT treatment of youth clubs and youth centres.

MR/HMRC

3.5 License to occupy v supply of service

Karen T compiled examples and gave them to her CCM, who sent them on to a VAT technical specialist.

The VAT specialist has requested that a Technical Query Form be completed before the matter is considered further.

KT/HMRC

3.6 Elections

Mike confirmed to the group that no VAT is recoverable on European elections; gross costs can be recovered from the Cabinet Office.

David W said that HMRC are still in the process of understanding the issues regarding VAT recovery on election expenditure. David will work with Mike Revis to understand the issues. Karen T gave one example whereby district councils provide services on behalf of county councils.

HMRC

3.7 Partial exemption calculations

Peter is still awaiting David O's reply on this matter.

HMRC

3.8 Wedding room hire

The group has seen Christopher Palmer's reply on this matter giving HMRC's view as the following:

"HMRC's view is that any charge made that exceeds the fee reasonably representing the cost to the authority for the provision of a registrar or superintendent registrar, for larger room hire and other optional extras will, in the vast majority of circumstances, be liable to VAT at the standard rate.

HMRC do not consider that such charges are likely to qualify for the exemption from VAT under Item 1 of Group 1, Schedule 9 VATA 94 because the supply is unlikely to be simply the making available of a room, but the provision of an approved room for a civil wedding ceremony. The supply goes beyond the mere passive letting of land and therefore outside the scope of the exemption for leasing or letting of property."

Christopher reiterated that only the registrar's staffing costs could be taken into consideration when recovering costs and not those costs that relate to buildings etc. The group argued that the registrar's service was a statutory function of providing a wedding ceremony and the whole cost should be treated as non-business.

It is not possible to provide the service without an approved room, this is an intrinsic part of a marriage ceremony, as much as the services of the registrar and the completion of a marriage certificate. Case law such as 'Levob' would support the view that what is being provided is a single statutory service that the LA is duty bound to offer and often acts as the provider of last resort.

The group will put its response together, under a planned deadline of four weeks. Contributions to the response need to go to Mike.

Ctee/HMRC

3.9 Eligibility of local authorities to join a VAT group

The group awaits David O's response.

HMRC

3.10 Community council/community groups and Scottish local authorities

This has been dealt with satisfactorily and can be removed from the agenda.

4 Exemption for local authorities from the proposed construction reverse charge

Ian Harris' letter to HMRC has been passed on to their construction team. The exemption comes on 1 October, so the committee would welcome a quick response.

HMRC

5 Briefing: Adoption Support Fund

After the meeting, David Smith provided the following response to Simon Mulliner's briefing:

"HMRC's position remains the same as that set out in our published guidance manual on supply and consideration, section VATGPB6300.

When a government body provides money to another entity, in order for them to provide services which support specific community activities, or initiatives which benefit the public, the funds will be a grant that is outside the scope of VAT if:

- there is no direct link between the provision of the funds and any third party;
- the funding body receives nothing in return for the payment – common controls within an agreement (often called good housekeeping) do not constitute the provision of services. These include, fixed time periods, approved use of assets, regular financial reporting.”

HMRC

6 **Joint VAT Consultative Committee (JVCC)**

The group received the minutes and it was thought that only the items on MTD were of any interest

7 **Land and Property Liaison Group (LPLG)**

The group received Karen Regan’s notes.

Of particular interest to the group was Notice 742:

“The updated notice is still not published, HMRC not able to give timeline for publication.”

8 **VAT briefs**

Of the briefs it was thought that the only one of relevance was on the domestic reverse charge for businesses trading in renewable energy certificates which may impact on local authority owned companies.

9 **Fire & Rescue Services (F&RS) – Separate VAT registration**

There appears to be no standardized treatment for the F&RS VAT registration. Some are registered under their own name but others come under the registration of a local authority.

It was suggested that legislation or constitution may determine whether they are recognized as a separate body.

HMRC would explore to see if there was any policy concerning registration.

10 **VAT government and public bodies guidance**

Ongoing IT issues prevent the update of any information at the moment.

11 **EU exit**

The group decided there was currently little to be gained by any discussion on this matter

12 **Local authority VAT liability index**

The committee will review the returned batch of updates that have not yet been approved, with a deadline of four weeks.

Jonathan can soon start applying the approved updates to the TISonline stream.

Ctee/HMRC/Jonathan

13 **TISonline VAT information stream, discussion forum and S33 VAT network**

Jonathan reported that members of the committee have all be re-granted their access to the TISonline Section 33 VAT network, and a full run out of transferring members to the new platform is underway.

He reminded committee members that they may need to log in and restate their preferences for forum alerts, and that they can all receive e-alerts for TISonline by choosing this via the link on the right of the TISonline homepage.

Any issues with any of this should be directed to customerservices@cipfa.org

14 **Any other business**

14.1 **Electric car charging**

Peter is still unsure on some issues, such as whether this is classed site by site or car by car.

After the meeting, HMRC (Christopher Palmer) provided [this link](#) to the government guidance note on electric car charging.

PG

14.2 **VAT exemption for care suppliers**

Peter sought confirmation that the VAT treatment applied to Children's Services Companies would also apply to Adult Services Companies.

HMRC to confirm.

HMRC

15 **Date of next meeting**

The meetings arranged so far for 2019/2020 are scheduled as follows:

- 7 November 2019
- 5 March 2020
- 2 July 2020