

To: Policy, Resources & Personnel Committee
From: Finance Manager
Date: 16 February 2022
Subject: The handling of VAT

1. Purpose of the report

This report to councillors updates on the VAT situation and highlight any decisions we need to make. This arises from paperwork located in archive in relation to the treatment of VAT charges on leases.

2. Background and information

2.1. It was agreed in 2001 that sales input tax be treated as if it were taxable on lease charges for land. The 'election to tax' stated it had effect on buildings and land within our curtilage, with limited information provided on what land fell within that curtilage. As a result, sales input VAT has been applied to all sales lease invoices dated from April 2001.

2.2. After investigating the situation, it has been identified that leases have been charged VAT historically, which should have been exempt from VAT. These leases in question were not originally included in the request to opt in for tax in April 2001. Information since obtained shows the curtilage defined was specific to a lease no longer in situ, being that of the Blue Star bus depot.

3. Outcome of the investigation

We have been advised by Crispin Taylor, SLCC VAT Advisor, that we can claim back the VAT up to four fiscal years, this has been actioned resulting in £14,536.67 VAT refund.

4. Actions and Changes Implemented

- 4.1. Sales invoices for leases are now VAT exempt, except those for moorings which are Vatable under HMRC guidance. We will continue to generate the lease invoices without VAT for the foreseeable.
- 4.2. Two leases have been repaid the VAT wrongly charged

5. Recommendations

It is recommended that:

- 5.1. The Council no longer completes VAT1614 opt out of VAT form as the original lease opted into in 2001 no longer stands
- 5.2. That the Committee note this report and that the Council has aligned its VAT requirements