Amendments to the VAT Refund Scheme for Museums and Galleries

Who is likely to be affected?

Those museums and galleries added to the list of bodies entitled to benefit from the VAT refund scheme and those removed from the list.

General description of the Statutory Instrument

This Statutory Instrument adds further museums and galleries that allow free public admission to the VAT refund scheme.

It also removes certain bodies that no longer provide free access, have closed or whose collections have been re-located, and makes minor administrative amendments to correct names and addresses of bodies already listed.

Policy objective

The Government is committed to free public admission to the main museums and galleries, and the VAT refund scheme supports this policy.

Background to this Statutory Instrument

Under the normal rules, a person can only reclaim VAT on the goods and services they purchase which are used to make an onward taxable supply. A museum or gallery that does not charge for entry is not making taxable supplies and therefore is not able to recover the VAT it incurs.

The refund scheme is set out in Section 33A of the VAT Act 1994. It was introduced to ensure that what would otherwise be irrecoverable VAT does not deter a body from allowing free admission. It refunds VAT paid on purchases made to support free rights of admission to a museum or gallery. The list of qualifying bodies is set out in the Schedule to SI 2001/2879, and the Treasury has the power to add bodies to the list or remove them from it.

The bodies and relevant museums to be added meet the conditions to be included in the scheme, although in common with the National Libraries one is included only in relation to its permanent public collections.

This statutory instrument also reflects changes to the bodies already included in the scheme. It removes from the list relevant museums and galleries which have closed and one which now charges for admission. It also corrects a duplicate entry. In addition it makes minor amendments such as to update addresses.

Detailed proposal

Operative date

It is intended that this Statutory Instrument will come into effect from xxx 2014 subject to the negative resolution.

Current law

Section 33A of the VAT Act 1994 refunds VAT paid by museums and galleries on purchases made in connection with free rights of admission to the public. Under Section 33A (9), the Treasury may by order specify the bodies to which refunds are made, and the date from which claims can be made. There is a single list of bodies in the Schedule to SI 2001/2879 and consequently amendments are made to the Schedule.

Proposed revisions

The Schedule to SI 2001/2879 will be amended to reflect the additions, deletions and changes already referred to.

Summary of impacts

Exchequer impact VAT (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-5	-5	Negligible	Negligible	Negligible
Economic impact	No significant economic impact envisaged.				
Impact on individuals and households	Adding further museums and galleries to the VAT Refund Scheme for Museums will assist in enabling free public access to collections that have not previously been available to the general public.				
Equalities impacts	This Statutory Instrument will have no impact on any equality group.				
Impact on business including civil society organisations	The measure provides a real benefit to those institutions newly admitted to the scheme but will involve a negligible compliance cost				
Operational impact (£m) (HMRC or other)	The refunds will be dealt with by established HMRC procedures and so there will be no extra operational cost.				
Other impacts	There are no other impacts expected.				

Monitoring and evaluation

The addition of museums and galleries to the VAT Refund Scheme for Museums will be monitored through the VAT refund claims they submit.

Further advice

If you have any questions about this change, please contact Alec Tasker on 03000 586 047 (email: alec.tasker@hmrc.gsi.gov.uk).]

Declaration

David Gauke MP, Financial Secretary to the Treasury, has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the Statutory Instrument.