



HM Revenue
& Customs

VAT: refunds to Charter Trustees

Who is likely to be affected?

The Charter Trustees for Bournemouth and the Charter Trustees for Poole, which were established from 1 April 2019.

General description of the measure

This measure will entitle the Charter Trustees for Bournemouth and the Charter Trustees for Poole to claim refunds of VAT under the provisions of section 33 of the VAT Act 1994 ("section 33") in respect of their statutory non-business activities.

Policy objective

Refunds under section 33 ensure that what would otherwise be irrecoverable VAT incurred on purchases to support the statutory activities of (mainly) local authority bodies does not become a cost borne out of local taxation.

Background to the measure

Since VAT was introduced in 1973, local councils have been able to claim refunds of VAT under the section 33 refund scheme.

The Secretary of State is empowered to establish Charter Trustees to maintain the historic rights and traditions of a particular area when the city, town, or borough council that was previously responsible is abolished, and there is no other suitable local body for the rights to revert to.

However, the VAT Act does not automatically carry over the right to VAT refunds from the abolished body to these new bodies, which would lead to their tax liabilities being borne by local taxation.

This measure will ensure that the Charter Trustees for Bournemouth and the Charter Trustees for Poole can recover VAT costs in the same way as their constituent local council.

Detailed proposal

Operative date

The measure will have effect from [4 November 2020].

Current law

Section 33(1) of the VAT Act 1994 ("VATA") provides for refunds to eligible bodies of the VAT paid on purchases, acquisitions and importations made in support of their non-business activities. Among the eligible bodies named in section 33(3) are local authorities. The term local authority is defined in the VATA, however this definition does not include Charter

Trustees. The Treasury has the power under section 33(3)(k) to make orders specifying other bodies that can recover VAT under section 33(1).

Proposed revisions

The Treasury will make an order specifying the Charter Trustees for Bournemouth and the Charter Trustees for Poole as being bodies entitled to recover VAT.

Summary of impacts

Exchequer impact (£m)

2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026
nil	nil	nil	nil	nil	nil

This measure is not expected to have an Exchequer impact.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

There is expected to be no impact on individuals as this measure only affects the Charter Trustees for Bournemouth and Poole

This measure will have no impact on family formation, stability or breakdown.

Equalities impacts

It is not anticipated that this measure will have any equalities impacts.

Impact on business including civil society organisations

This measure will allow the Charter Trustees for Bournemouth and Poole to claim back from HMRC a sum equivalent to the VAT that would have been claimed by their constituent local authorities. One-off costs for the Charter Trustees for Bournemouth and Poole are expected to be negligible but will include familiarisation with this change. Ongoing costs are expected to be negligible, with regular refund claims. Customer experience is expected to remain broadly the same as, apart from familiarising themselves with the change and making the first claim as a newly named local authority body, there are not expected to be any changes to what the Charter Trustees for Bournemouth and Poole currently do. There are expected to be no impacts on civil society organisations.

Operational impact (£m) (HMRC or other)

It is not anticipated that implementing this change will incur any additional costs or savings for HMRC.

Other impacts

No other impacts have been identified.

Monitoring and evaluation

The measure will be kept under review through communication with affected taxpayer groups.

Further advice

If you have any questions about this change, please contact David Smith on telephone: 03000 593922 or email: david.smith7@hmrc.gov.uk

Declaration

Rt Hon Jesse Norman 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 measure.

DRAFT