HM Treasury

VAT Grouping -Establishment, Eligibility and Registration

Summary of Responses

June 2021

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Contents

Introduction

On 28th August 2020, the government published a call for evidence on VAT grouping. The purpose of this call for evidence was to gather the views of businesses that utilise VAT grouping provisions, and other interested parties, on how these affect them and the wider business environment.

This call for evidence examined three distinct areas of VAT grouping:

- Establishment provisions;
- Compulsory VAT grouping; and
- Grouping eligibility criteria for businesses currently not in legislation, including limited partnerships.

The consultation closed on 20th November 2020. A copy of the consultation is available at: https://www.gov.uk/government/publications/vat-grouping-establishment-eligibility-and-registration-call-for-evidence

The government is grateful to all those who responded and gave their time to provide their views and ideas, in total 52 written responses were received. Responses came from a variety of sectors including financial services, housing and education.

Next Steps

It is clear from the responses how valuable UK VAT grouping is to businesses and we appreciate that businesses require certainty following EU exit and the impact of the pandemic. The call for evidence prompted a substantial number of responses that were generally in favour of maintaining current practices. It also set out evidence on why changes to the provisions on VAT grouping would impact business growth and international competitiveness.

The government is grateful for the views provided by those who responded to the call for evidence on VAT grouping. As announced at the Tax Policies and Consultations paper on 23 March, in light of the responses to this call for evidence, the government has decided not to take this any further.

Chapter 1

VAT Grouping and Establishment Provisions

1.1. This chapter sought views on the benefits and disadvantages of different establishment provisions as well as understanding the impact that the 2014 EU court decision on Skandia, known as 'the Skandia ruling,' has had on businesses.

1.2. The UK uses 'whole establishment' provisions. This is when all fixed establishments (or branches) of the eligible person, whether in the UK or abroad, are treated as a single eligible person when the relevant conditions are met.

1.3. In other countries, VAT groups are commonly required to follow the 'establishment only' provisions. Under 'establishment only' provisions, when an entity has fixed establishments in multiple jurisdictions, it is only the establishments in the country in which the VAT group is based that can be part of that VAT group.

Question 1: What are the advantages of 'whole establishment' provisions; how do they facilitate business activity in the UK?

1.4. 20 respondents commented on this question. Respondents highlighted that these provisions are well established in the UK and well understood by businesses. Under the current rules, there is no requirement to account for VAT upon transactions within a VAT group, preventing manufacturing of VAT on transactions between corporate groups.

1.5. Respondents also highlighted the advantage that this gives businesses with internal outsourcing and overseas establishments, some businesses suggested it is a key factor when considering global structuring. The 'whole establishment' provisions allow groups to operate as a single entity, providing efficiencies and enabling them to benefit from economies of scale.

Question 2: Do the 'whole establishment' provisions make the UK a more attractive business destination than countries that utilise 'establishment only' provisions, both across all industries and within specific sectors?

1.6. We received 16 responses and comments for this question. The consensus among respondents was that 'whole establishment' VAT grouping is more attractive than 'establishment only' grouping. Businesses operating in countries with an 'establishment only' provision may suffer additional VAT costs when recharging internal costs.

1.7. Some businesses in the financial services sector highlighted 'whole establishment' provisions as one factor that makes the UK more attractive to establish a business.

1.8. Other respondents outlined that this was not the deciding factor in making business decisions and was considered alongside other more critical factors.

1.9. Respondents also said that some sectors operate cross-border via branches anyway.

Question 3: Are the advantages of the 'whole establishment' provisions equally accessible to all companies? Does the size or location of the VAT group head office impact this?

1.10. We also received 16 comments and responses to this question. Most respondents agreed that the current rules are easily accessible without discriminating between who can access them.

1.11. Most respondents to this question said that they also provide parity across different business structures.

1.12. A minority of respondents said that larger businesses who operate with branches in different countries benefit more from the 'whole establishment' provisions. One respondent highlighted that some heavily exempt taxpayers can gain an advantage because of the lack of VAT charged on imported costs.

1.13. Respondents from the financial services sector highlighted that there are inconsistent views between members on whether the benefit of whole establishment VAT grouping is equally accessible to all financial sector businesses. There is a view that some UK-headquartered businesses are economically disadvantaged due to this rule.

Question 4: What additional benefits do 'whole establishment' provisions bring to businesses and sectors, including those unrelated to tax?

1.14. Out of the 15 response we received for this question, some respondents suggested that 'whole establishment' provisions enable them to utilise shared service centres of outsourcing arrangements that work across different countries. This helps businesses to benefit from economies of scale and facilitates additional investment into the UK economy. It allows a business to choose the correct legal structure for its business without having to factor in the possibility of creating an additional tax cost.

1.15. Within the education sector some respondents said that the UK branches of a fixed establishment tend to meet the costs of other branches outside the UK rather than import services into the UK via overseas branches.

Question 5: What disadvantages arise as a result of the 'whole establishment' provisions?

1.16. Reverse charge obligations mean that some respondents are subject to a VAT liability, which not all businesses would be able to recover. Supplies from the UK to overseas establishments of the same legal entity are outside the scope of VAT and the VAT is therefore not recoverable in the UK.

1.17. Out of the 17 respondents and comments that were received, several respondents raised the complexities arising from the inconsistent adoption of establishment provisions. The Skandia ruling has complicated grouping provisions further.

1.18. Some respondents felt that there were no disadvantages with 'whole establishment' provisions compared to 'establishment only' provisions.

Question 6: How would a change to 'establishment only' provisions affect UK businesses that use VAT grouping? Please outline both positive and negative changes.

1.19. We received 21 responses for this question, and several respondents said that such a change would affect the VAT accounting treatment of intra-group cross-border supplies. Other respondents suggested that adopting 'establishment only' provisions may make the UK a less attractive place for business, potentially resulting in businesses deciding to operate elsewhere.

1.20. Respondents outlined several possible effects, including an impact on 'VAT cashflow'. For VAT groups that are partially exempt and/or have non-business income, the intra-group VAT charges may result in a permanent cost to the businesses. There would also be some loss of the administrative simplifications and efficiencies, as well as costs incurred on reconfiguring the accounting system for transactions to and from de-grouped branches, and upskilling staff to the new rules. These new expenses may lead to increased prices.

1.21. One respondent highlighted that a change to "establishment only" provisions would bring some simplification, as there would no longer be a need to identify local purchases by overseas establishments that could be subject to the reverse charge.

Question 7: Which sectors would likely be affected if the UK were to adopt 'establishment only' provisions?

1.22. Out of the 18 responses that were received, many respondents suggested that sectors which carry out exempt or partly exempt activities are likely to be the most impacted. This includes, but is not limited to, financial services, education, charities, gaming and betting, and health.

1.23. Others suggested that larger businesses operating globally with branches outside the UK would be greatly impacted.

Question 8: Would adopting the 'establishment only' provisions result in a reduced administrative burden for businesses?

1.24. Out of the 15 responses we received for this question, most businesses who responded to this question said that 'establishment only' provisions would not reduce administrative burdens. Some felt that the administrative burdens would be greater than under 'whole establishment' provisions.

1.25. Some respondents said for businesses based wholly in the UK there may be an administrative benefit from 'establishment only' provisions. Others said that it was not clear whether there would be a significant difference in the administrative burden; however, that there may be one-off costs for businesses changing their practices.

Question 9: Would adopting the 'establishment only' provisions result in any increased administrative burden from applying the reverse charge to all supplies from overseas? Would this be offset by the reduction of administration in applying the current anti-avoidance legislation, s.43(2A)?

1.26. We received 14 responses and comments for this question. Several respondents suggested that a change to how the reverse charge is applied will take resource time and, potentially, incur costs for software updates. This is in addition to the cost of training staff and obtaining professional advice. These resource and financial costs would apply to businesses that don't trigger any anti-avoidance concerns.

1.27. Views around s.43(2A) were mixed, for some respondents the current s.43(2A) provisions are well understood and for those businesses that are subject to them the associated administrative burden is minimal. Others argue that for some businesses the current provisions are highly complex and burdensome; however, a broader reverse charge provision may be equally burdensome.

Question 10: Would adopting the 'establishment only' provisions have a financial impact upon affected businesses?

1.28. We received 18 responses to this question. Most responses stated that the most significant VAT cost to businesses, that are either wholly or partly exempt, would be where there are new intra-group cross-border transactions subject to VAT (via reverse charge) that were previously disregarded. Some respondents said this would have a significant impact on their annual VAT cost, which could be doubled.

1.29. One respondent said that there would be a material and detrimental impact on businesses which have to be established as corporate groups compared to those which can be structured as a single legal entity operating internationally through a branch network.

1.30. Conversely, a potential VAT recovery benefit was identified for businesses providing outbound services to overseas branches who operate under 'establishment only' provisions, as supplies would be treated as outside the scope of VAT, but the input tax could still be recovered.

Question 11: Would adopting the 'establishment only' provisions have an impact on the geographical allocation of jobs (both within and outside of the UK) in affected businesses?

1.31. Responses to this question were mixed. Out of the 18 responses we received, some agreed that for fully taxable businesses there should not be an impact to the location of jobs as there would only be an impact to VAT cashflow, rather than VAT costs.

1.32. Several respondents said the provisions are unlikely to have any material impact on the geographical allocation of jobs and businesses consider a wide range of factors when considering where to locate staff, e.g. availability of talent, time-zones, local infrastructure, staffing costs, regulations and commercial factors etc. The imposition of VAT on internal staff costs is unlikely to outweigh the benefits of locating staff in their current geographical location.

1.33. Some respondents said that there is significant pressure to relocate activity into the EU as a result of EU exit and COVID-19. Moving to 'establishment only' provisions would remove an important benefit currently anchoring business activity in the UK. It would also reduce the incentive to service growing markets in Asia and elsewhere from the UK. There could be an impact to job locations for businesses that are either wholly or partly exempt where the intra-group charges bear an irrecoverable VAT cost that could be saved by relocating the role back to the UK, so VAT is no longer a factor.

1.34. Other respondents highlighted that these provisions only impact businesses who operate across different countries and some sectors where jobs need to be local, such as health, would not be impacted.

1.35. One respondent suggested that it may encourage UK businesses to return some jobs to the UK market. However, there may be other effective ways of boosting the UK job market, for example, targeted VAT exemptions or valuation provisions.

Question 12: Would adopting 'establishment only' provisions impact on business competitiveness, both for those VAT groups that are headquartered in the UK and those based overseas?

1.36. We received 18 responses for this question and most of the responses agreed that 'establishment only' provisions would create a competitive disadvantage for UK businesses. It would have an impact on the competitiveness of wholly or heavily partly exempt businesses that would incur charges on intra-group transactions where sticking tax is allowed.

1.37. Several respondents suggested there would be an increased tax cost for the financial services sector making the position less attractive for businesses because other major European financial services hubs would have a competitive advantage. One respondent did point out that the impact on competitiveness could be mitigated by reviewing the services that are subject to VAT.

Question 13: What impacts have the revised arrangements introduced in response to the Skandia ruling had on your business?

1.38. Out of the 17 responses we received for this question, several respondents said that these revised arrangements have had little or no impact on their business. In some sectors, specifically finance and insurance, group structures are already limited by regulations.

1.39. One respondent said that the response to Skandia in other EU jurisdictions has in some cases led to increased VAT cost in those jurisdictions, where services are not covered by a VAT exemption. They note that Sweden did not, at the time this case was taken, have the comprehensive anti-avoidance rules for VAT groups that are in place in the UK.

1.40. Another respondent set out that there were increased administrative burdens on certain businesses, implementing the required systems changes and the timescales of the changes.

1.41. Others said that it is important that the government clarify the position with regard to Skandia further.

Question 14: Would any further changes to the current arrangements materially impact your business or sector?

1.42. Out of the 16 responses to this question, the majority that they would need to know specifically what changes were proposed before they could comment on whether they would have a material impact.

1.43. Several respondents highlighted that the current VAT grouping regime is well understood and operates effectively. One respondent highlighted that as a result of the UK leaving the EU there is commercial uncertainty and any changes should be considered carefully.

1.44. One respondent highlighted, that if there were any changes then it would be important that they are fair and equal to all businesses regardless of the size, location, or business model.

Question 15: Do you want to maintain the current arrangements that were implemented in response to Skandia, or reverse them?

1.45. We received 17 responses to this question and a number of those said that they would prefer to return to the position prior to Skandia, where recharged services within the same legal entity are not regarded as supplies for VAT purposes as this is an administratively simpler position. Some argued that post EU exit, the way in which EU jurisdictions organise VAT grouping should not be a factor in determining UK VAT treatment.

1.46. One respondent suggested that a simpler solution would be a rule that makes it clear that the reverse charge adjustment is only due when overseas costs on which UK VAT has not been paid relate to a UK establishment and are "consumed" in the UK or are used as a cost component when making a supply in the UK.

1.47. Some respondents wished to maintain the current position and did not believe that the current arrangements created any significant difficulties.

The government's response

1.48. The government is grateful for the views provided by those who responded to the call for evidence on VAT grouping. As announced at the Tax Policies and Consultations paper on 23 March, in light of the responses to this call for evidence, the government has decided not to take this any further.

Chapter 2

Compulsory VAT Grouping

2.1 The purpose of this section was to understand if any benefits would be gained by businesses from compulsory VAT grouping, and to understand what the disadvantages to this approach could be. In certain jurisdictions, outside the UK, compulsory VAT grouping can provide administrative easements, and level the playing field for businesses who would be using the same VAT treatment.

2.2 We also sought views on how compulsory VAT grouping might interact with 'establishment only' VAT grouping provisions, with a view to reducing the risk of structures being manipulated to gain a tax advantage.

Question 16: What benefits or disadvantages could a system of compulsory VAT grouping deliver for business? Would this vary between different sectors?

2.3 Out of the 47 responses we received for this question, several responses highlighted that the approach would reduce flexibility in how businesses are structured and increase administrative burdens. Respondents set out that entities in different sectors use different accounting systems and compulsory VAT grouping could result in VAT returns being submitted late and with inaccuracies.

2.4 Most responses to the question suggested compulsory VAT grouping would impact their Partial Exemption Special Method (PESM) and how much input tax they can reclaim. Any changes to the group membership would require PESMs to be reviewed, with any significant changes reported to HMRC.

2.5 A major concern for respondents was that investors would be exposed to the debts of all entities within the VAT group through joint and several liability. Respondents also raised concerns that joint and several liability would see lenders increasing the cost of credit and requiring extra security against loans. Businesses with an investment structure are subject to complex regulatory rules and compulsory VAT grouping could result in financial covenants being breached.

Question 17: How would compulsory VAT grouping affect the administrative processes for businesses?

2.6 The consensus from the 43 respondents was that compulsory VAT grouping would add additional administrative burdens to businesses. Respondents shared a wide range of evidence demonstrating how administrative processes would be affected. An accountancy firm stated that entities would need to be reviewed frequently in case they triggered the conditions for businesses to be added/removed from a VAT group. Many respondents asserted that the group's VAT return would take longer to prepare, while the VAT group's entities would need to align their return stagger. Entities who are currently on a monthly return stagger would need to move to a quarterly one in line with the group, this could impact on cash flows and working practices.

2.7 Differences in accounting systems may lead to delays in collating group data for the VAT return. Some respondents also expressed concern that the IT requirements for Making Tax Digital (MTD) would not be met by some group entities.

2.8 Most respondents stated compulsory VAT grouping would lead to renegotiating their PESM with HMRC, a process which can be both complex and time-consuming for businesses and the department. This could be further complicated by accounting adjustments under the Capital Goods Scheme (CGS) and it was suggested that HMRC would need to create transitional rules for some of its policies to allow businesses time to prepare for any changes to VAT grouping rules.

2.9 A small number of respondents noted that VAT grouping would reduce costs and administrative burdens on intra-group supplies. However, the majority stated that compulsory VAT grouping would result in an overall increase in costs to businesses.

Question 18: How would compulsory VAT grouping interact with 'establishment only' VAT grouping provisions, if they were to be implemented?

2.10 There were 36 responses received to this question. Respondents who only conducted business within the UK asserted that 'establishment only' rules wouldn't affect them. A few respondents said that the interaction with 'establishment only' provisions would create difficulties for taxpayers with multiple VAT groups and could result in a negative impact on partly exempt UK businesses. For example, financial service businesses could incur a large amount of irrecoverable UK VAT as a result of the reverse charge.

Question 19: How would compulsory VAT grouping impact businesses of different sizes, and would the minimised risk of errors be of benefit?

2.11 A range of views from 26 responses were received to this question. Most of the respondents felt that compulsory VAT grouping would not reduce the risk of errors. It was asserted that small and large businesses would both be affected negatively, but particularly large and complex business structures. Some respondents said VAT groups which had regular changes in group membership would be at more risk of making errors. Extra burdens would be placed on VAT compliance processes which smaller entities may struggle with.

2.12 One respondent said that the current VAT grouping rules allow for flexibility and swift facilitation between HMRC and businesses when VAT issues do arise.

2.13 A few respondents stated that compulsory VAT grouping would affect how they do business and how they were structured. Businesses would be exposed to more risks under joint and several liability and their VAT costs would increase due to the restriction of input tax recovery under VAT grouping rules and the CGS.

Question 20: Are there any instances where businesses are not VAT grouped for specific commercial or regulatory reasons? Please provide examples.

2.14 We received 39 responses to this question. Respondents highlighted a few reasons why businesses are not VAT grouped and provided evidence of how VAT grouping would result in a competitive disadvantage. Many respondents stated that they avoided the formation of a VAT group as joint and several liability was seen to be too risky by some entities and their investors. Some respondents stated that the regulatory requirements of lenders prevented them from VAT grouping. Joint and several liability can mean lenders are less likely to loan credit and will withdraw offers of credit because of the associated risk of VAT grouping.

2.15 Some respondents said they wish to maintain the same VAT position between entities, such as universities with combined heat and power plants, and could only do this by not being in a VAT group. Additional risks arose with the Option to Tax on buildings, which would be binding on anyone joining the group.

2.16 A few respondents stated that not forming a VAT group made it easier to manage their VAT affairs, such as designing and agreeing PESMs with HMRC and managing return staggers. It was also stated to be easier to manage entities which are only acquired for a short amount of time, out of the VAT group.

The government's response

2.17 The government is grateful for the views provided by those who responded to the call for evidence on VAT grouping. As announced at the Tax Policies and Consultations paper on 23 February, in light of the responses to this call for evidence, the government has decided not to take compulsory VAT grouping any further.

Chapter 3
Eligibility Criteria

3.1 The purpose of this section was to consider whether there was interest in widening the eligibility criteria for VAT grouping. At present, legislation does not allow entities such as limited partnerships (LPs), and Scottish limited partnerships (SLPs) to join a VAT group. However, HMRC does offer an extra-statutory concession whereby these entities can join a VAT group.

Question 21: How do limited partnerships (LPs) and Scottish limited partnerships (SLPs) currently participate in VAT groups?

3.2 Of the 19 responses to this question, most respondents said that both SLPs and English LPs can join VAT groups in accordance with HMRC guidance and where they meet the eligibility criteria.

3.3 Many responses indicated that LPs can join a VAT group if the general partner (GP) is part of the VAT group. One respondent expressed that HMRC's current practice of allowing LPs and SLPs to participate in VAT groups is administratively helpful.

3.4 Responses from the financial services sector expressed that LPs are used for asset class investments, vehicles to manage investment or as holding companies and the ability for them to join VAT groups is beneficial for them in this regard.

Question 22: How do LPs and SLPs tend to be used within the structure of corporate groups and what is the commercial rationale for inserting them into VAT groups?

3.5 Of the 16 responses received, the majority were from the financial services sector. Many of these responses indicated that LPs and SLPs are regularly used as fund vehicles in private equity and infrastructure funds. This is because the tax transparency of partnerships avoids dual taxation of the investors. This puts the investors in a similar position as investing directly in underlying assets.

3.6 Respondents highlighted that the general partner is commonly the registrable entity for a VAT group. Many other responses from the financial services sector emphasised that the GP and fund management entity of an LP are commonly grouped together, saving irrecoverable VAT on management fees.

3.7 A few responses from the financial services sector stated that investors choose to mitigate risk by partnering with other investors. English LPs are effective for this because each investor can be taxed independently. Other responses said that English LPs can be used to help with future investment, or to simplify some business transactions.

3.8 One respondent stated that VAT grouping means there are fewer VAT registrations and returns. Another respondent said that they do not include LPs in their VAT groups to avoid exposing them to joint and several liability.

3.9 The responses received from housing associations indicated that because housing associations have a charitable status the use of LPs is rare. Whilst some housing associations are LPs, they will not take on the role of a GP because the GP is personally liable for the partnership's debt and other obligations while a charity can't guarantee other entities liabilities.

Question 23: What, if any, commercial reasons are there for having more than one general partner in an LP that may affect VAT grouping arrangements?

3.10 We received 7 responses to this question. Respondents highlighted regulatory and accounting advantages, including that it may mean that an LP does not need Financial Conduct Authority authorisation, reducing business costs.

3.11 One respondent suggested that having multiple GPs was beneficial where the primary GP cannot always conduct their duties. Other respondents suggested that LPs may be able to benefit from additional confidentiality. For example, under *the Partnerships (Accounts) Regulations 2008*, if an LP has a sole general partner which is an English company with limited liability it is a 'qualifying partnership'. It will then be required to potentially file or display accounts. A second GP may be appointed for the LP to fall outside this category.

3.12 Several respondents to this question expressed that an LP may appoint a 'managing' GP which is established outside the UK, and an 'administrative' GP based in the UK, so the LP retains sufficient links with the UK.

3.13 One respondent to this question said that having more than one GP in an LP is not driven by VAT considerations.

Question 24: In cases where an LP has more than one general partner, what commercial reasons are there to add more than one general partner to the same VAT group?

3.14 There was a range of views out of the 7 responses that were received for this question. A few respondents stated that more than one GP in a VAT group has administrative benefits. Other respondents stated that VAT free intra-group transactions may be a reason for VAT grouping both GPs in a LP.

3.15 Some respondents highlighted that both GPs of an LP may be included in a VAT group to avoid distortions in VAT treatment between the GPs, because both are required to register for VAT.

3.16 A small number of respondents also emphasised that both GPs might be VAT grouped to ensure that if the primary GP cannot discharge their duties, there is no disruption to the VAT registration position.

Question 25: If the test for VAT grouping LPs/SLPs changed to a control and beneficial ownership test, how would this affect current VAT groups and the LPs/SLPs in question, including those that would be able to VAT group, and those that would have to be removed from existing VAT groups?

3.17 The majority of the 15 responses to this question said that a test for VAT based on control and beneficial ownership would disadvantage LPs/SLPs. The GP would have control and other partners would have beneficial ownership, so it would be unlikely that any LPs/SLPs would pass the test.

3.18 Many respondents said such a test would result in difficulties for fund structures. LPs outside the group have beneficial ownership, which would prevent LPs joining the GP's VAT group. It was felt this could lead to UK fund structures being uncompetitive compared to those in other jurisdictions. UK structures would see additional VAT costs as intra-group supplies would no longer be recoverable.

3.19 A few respondents said changes to control criteria to include a beneficial ownership test could have wider impact than just on LPs/SLPs and could affect other VAT grouped entities such as pension schemes with employing entities.

3.20 Two respondents pointed out that LPs are currently unable to participate in UK VAT groups through their GPs. As there is no legislation which recognises LPs are a separate legal entity to their GP, a legislative mechanism would need to be introduced to make the control and beneficial ownership test work.

Question 26: When considering the normal eligibility tests for VAT grouping, what would the impact be on VAT groups if those tests were applied to LPs and Scottish partnerships as a whole rather than just general partners?

3.21 Out of the 10 responses we received, this question produced a range of views with the consensus being that if normal eligibility test were to be applied to LPs and SLPs, this would cause issues for them.

3.22 A few respondents said that partnerships would not be able to participate in UK VAT groups if the eligibility test applied to the whole limited partnership. A new legal mechanism would be needed to register the partnership separately from its GP.

3.23 One respondent suggested that financial investor-backed businesses may need to reconsider their VAT grouping structures if the eligibility test applied to LPs and SLPs. Another respondent highlighted that the current rules are well established and new rules may create uncertainty for investors and confusion for taxpayers.

3.24 One respondent highlighted how the current criteria relates to voting rights and the ability to appoint most directors and questioned whether this would apply to LP and SLPs.

Question 27: Would it be beneficial to allow Scottish partnerships to join a VAT group subject to the same rules as other entities (i.e. where they are controlled, rather than controlling all other members of the VAT group)? Should the same treatment also apply to general partnerships?

3.25 Of the 11 responses that were received for this question, many of them stated SLPs should be treated the same way as LPs. Others said they supported the idea that Scottish partnerships and general partnerships could join a VAT group, subject to the usual VAT grouping rules.

3.26 Two respondents said control conditions would need to be revised as it's more difficult for non-corporate entities to demonstrate control. They considered the recent changes to how partnerships and individuals can join VAT groups had had a limited effect.

3.27 One respondent said SLPs should continue to be able to belong to VAT groups on present terms.

Question 28: Were any changes discussed in chapters one and two to be implemented, how could they impact on the inclusion of partnerships within VAT groups?

3.28 Out of the 11 responses received for this question, two respondents said the same considerations would need to be taken to partnerships as they would to companies. It was noted that it would be helpful to have flexibility around when/whether a partnership can be included in a VAT group. Other respondents said the interaction between compulsory VAT grouping in relation to partnerships could be complex.

3.29 One respondent said compulsory VAT grouping would prevent LPs from joining VAT groups and this would have an adverse effect on large financial services groups who operate in the private equity and infrastructure funds sector.

The government's response

3.30 The government is grateful for the views provided by those who responded to the call for evidence on VAT grouping. As announced at the Tax Policies and Consultations paper on 23 February, in light of the responses to this call for evidence, the government has decided not to take the eligibility criteria for VAT grouping any further.

Annex A

List of stakeholders consulted

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Anchor Hanover

Association of British Insurers (ABI)

Aviva PLC

Axa

BDO

BlackRock

British Land Company

British Property Foundation

British Universities Finance Directors Group (BUFDG)

British Private Equity and Venture Capital Association (BVCA)

Canary Wharf Group PLC

Charity Law Association

Charity Tax Group

Chartered Institute of Public Finance & Accounting (CIPFA)

Chartered Institute of Taxation (CIOT)

Citizen Housing Group Ltd.

Commercial Real Estate Finance Council Europe (CREFC)

Crow UK LLP

Dalmore Capital Ltd.

Deloitte LLP

Diaverum Holding UK Ltd.

Ernst & Young LLP

Euroclear UK & Ireland Limited

Flagship Housing Group Ltd.

G15 and Other Housing Associations

Grainger PLC

Grosvenor Group Limited

Home Group

Inisfree Limited

Institute of Chartered Accountants in England and Wales (ICAEW)

Institute of Chartered Accountants Scotland (ICAS)

Investment Association

J.P. Morgan

Law Society

Legal & General Group plc.

Loan Market Association

London Borough of Hounslow

Mace Ltd.

Mazars

National Housing Federation

Places for People Group Ltd.

PricewaterhouseCoopers (PwC)

PSTAX

RSM UK Tax and Accounting Ltd.

Stonewater Limited

TheCityUK Tax Group

Thirteen Housing Group Limited

Travers Smith LLP

UK Finance

VAT Practitioners Group

Viapath