

Shavington-cum-Gresty Parish Council
Accounts – 2020-2021
Reclaim of VAT – Village Hall Refurbishment

1 INTRODUCTION

During the 2018-2019 audit, the Internal Auditor commented that he had recommended that the Council should seek the advice of a VAT specialist to enable the Parish Council to reclaim VAT incurred during the major refurbishment of the Village Hall. This was in excess of £7,500 and it was understood that this might be able to be reclaimed under the 'insignificant breach rule'.

2 VAT SPECIALIST

2.1 At its meeting held on 2 September 2020, the Parish Council approved a quotation of £850 plus VAT from Afford Bond to cover the cost of services of its Tax Director.

The information required to carry out this work was –

- The last four years' VAT records
- Anticipated spending and VAT forecast for the next two years.
- Details and summary of non-business use over the periods. Ideally, they would need to understand the extent of non-business use based on time used and any areas were excluded from use during the periods.

2.2 The Tax Director has advised that he would require 7 consecutive years of information and without this, he would not be able to guarantee that Afford Bond would be able to achieve any success in its claims.

He is reluctant to start the process, incurring expenditure for the Parish Council, without historical and projected information. Any projections should be reasonably based on previous years and although not fact, would represent reasonable assumptions.

When the Clerk took up post in September 2015 no VAT records were transferred to her. Therefore, the only VAT records start from 2016-17.

3 VAT Regulations

The Tax Director has pointed out that Paragraph 8.5 of the HMRC VAT notice states:

If, despite detailed analysis of the amount of expenditure that you put to exempt use, the VAT you have identified still exceeds the 'insignificant' limit during the financial year, the Council may reconsider the position over a longer period of seven years. For example, the Council could look at the financial year under review, the previous four financial years and the forecast for the next two financial years. Any seven consecutive years may be used as long as no more than two forecast years are included.

If, on average, over this 7-year period the VAT identified falls below the 'insignificant' limit, the breach may be ignored. This is a rolling average.

The Council must keep details of the calculation with its VAT records. HMRC reserves the right to revisit the question of whether a breach is occasional and insignificant if it subsequently turns out that a local authority miscalculated its percentage in any given year. The same applies where there's evidence of manipulation of figures.

His advice is that without such information, Afford Bond may struggle to assist. He went on to state that generally, local authorities will keep records for at least the 7 years prior, so it would be advisable to review this and establish if such information can be obtained before Afford Bond takes this any further.

4 The Parish Council is asked to consider if any further action can be taken, given that there are no records for the period preceding September 2015, and the deadline for making a claim is March 2022.

Carol Jones
Clerk
May 2021