

Decision Ref No:

EX.179/07

Subject Matter:

VAT PARTIAL EXEMPTION (FEEDBACK FROM TENANTS)

(With the consent of the Chairman, and in accordance with Rule 15 of the Access to Information Procedure Rules, this item had been included on the Agenda as a key decision, although not in the Forward Plan)

The Director of Corporate Services submitted report CORP.37/07 summarising the comments received from tenants on the option to charge VAT on all the Council's commercial rents. The Executive on 2 July 2007 (EX.173/07) had opted to charge VAT on all of its commercial rents subject to writing to affected tenants to notify them of this intention and giving them an opportunity to feedback any concerns.

The Director advised that eighteen responses had been received before the deadline, with a further 6 responses received after the deadline. The detailed responses were set out in private report CORP.37/07 which would be considered later in the Agenda.

The Director summarised the responses stating that they fell into the following categories of concern:

- * Responses regarding not being registered for VAT - 13;
- * Responses regarding inability to reclaim VAT for other purposes (educational, health or government) - 4;
- * Responses expressing concern at financial hardship or cashflow problems - 4;
- * No concern over the proposals - 3.

The Corporate Resources Overview and Scrutiny Committee on 26 July 2007 had considered the reports and a Minute Excerpt from that meeting was tabled. The Chairman of that Committee attended the meeting and commented that the Committee:

- (a) accepted the need for steps to be taken to ensure that the limit of Value Added Tax the Council could recover on services classed as exempt activities should not be breached;
- (b) was concerned at the potential hardship which may be caused to small businesses as a result of any decision to opt to tax (i.e. charge VAT at 17.5%) on all of the Council's commercial rents;
- (c) asked the Executive to investigate ways (other than exemption) by which assistance may be provided to tenants demonstrating financial hardship as a result of such a decision; and
- (d) stressed the need for proper long-term corporate planning.

The Finance and Performance Management Portfolio holder suggested that the Executive should confirm the decision it took on 2 July 2007 to charge VAT on all of its commercial rents, in order to avoid breaching the limit of Value Added Tax the Council could recover on services classed as exempt activities. He added that, having considered the responses from tenants and the comments of Infrastructure Overview and Scrutiny Committee, it was unfortunate that this would have to be implemented part way through the financial year. He recognised that there may be some hardship for businesses who are not VAT registered and proposed that officers investigate ways of providing existing non-VAT registered businesses some relief from the imposition of

VAT. This relief should be for businesses demonstrating dire financial need and tenants who had not been in business for a long time. Any relief would be transitional and would not apply to new tenants coming in.

Decision:

1. That the Executive confirms the decision to charge VAT on all its commercial rents to take effect from the earliest possible opportunity.
2. That the Director of Corporate Services investigate ways of providing existing non-VAT registered businesses some relief from the imposition of VAT. This relief should be for businesses demonstrating dire financial need and tenants who had not been in business for a long time. Any relief would be transitional and would not apply to new tenants coming in.

Key or Non-Key Decision:

Key

Key Decision Ref:

General Exception

Portfolio:

Finance and Performance Management

Who made decision:

Executive

Date:

30-Jul-07

Reports and Background Papers considered:

Report CORP.37/07 and Private Report CORP.37/07 by the Director of Corporate Services.

Reasons for Decision:

To take action to ensure that the limit of Value Added Tax the Council could recover on services classed as exempt activities would not be breached.

Summary of Options rejected:

None

Interests declared

Councillor Mallinson declared a personal interest as he was a trustee of one of the organisations which had responded on the option to charge VAT on the Council's commercial rent.

Date published

01-Aug-07

Urgent decision not subject to call in

No

Consent of Chairman/ Deputy Chairman of Council to Urgency:

Not applicable

Deadline for call-in:

8 August 2007 at 17:00

Implementation date if not called-in:

9 August 2007

Relevant Overview and Scrutiny Committee:

Corporate Resources Overview and Scrutiny

Call-in notified to and date notified:

Approved for implementation on:
