HMRC - VATDSAG05200 - Disaggregation: Arrangements Which Are Not Artificial Separation

There are certain arrangements which HMRC accepts do not constitute artificial separation. These are listed below.

If you encounter any other scenarios in which the persons concerned argue that they have made their arrangements because of non-VAT legislation, please report the full details to the VAT Registration and Accounting Policy team.

Driving Schools

Guidance on the treatment of driving schools can be found in VTAXPER66000.

Franchised businesses

HMRC does not expect the disaggregation provisions to affect genuine franchising arrangements.

Hairdressers

There is an agreement between the National Hairdressers Federation and HMRC which is used to determine whether a stylist working in a salon is an employee of that salon or is self-employed. The disaggregation provisions will only apply where there are self-employed individuals working in the salon. You can find guidance about the treatment of hairdressers in VTAXPER68500.

Managed public houses and catering

Separation in ‘managed houses’ which are owned by either a major brewery or pub chain is accepted as being for commercial reasons rather than for tax avoidance purposes. In a managed house, the manager is usually treated as an employee of the brewery or chain. Unless there are exceptional circumstances, you should not issue an NoD in such cases. If the catering is being supplied by a self-employed person, you should check whether that individual is liable to be registered.

Registered charities and bar sale

In order to satisfy the requirements of direct tax and the Charities Commission, a registered charity may only sell alcohol as an occasional activity or incidental facility. Consequently, charities often separate their bar sales in order to preserve their charitable status.

Taxi companies

The ways in which taxi firms operate can vary. We will only register those firms which operate in a way which meets the criteria in the VAT Act 1994, Schedule 1, paragraphs 1A as a single business. Guidance on the treatment of taxi companies can be found in VTAXPER76500.

Previous page