HMRC - VATSC51860 - Grants: Factors That Are Neutral

The following factors are taken from precedent cases. The court decisions referring to these factors regarded them as neutral, so their presence in an agreement generally does not indicate either way whether the payment is an outside the scope grant or consideration.

The neutral factors are:

the payment is described as a grant in the contract and correspondence. Whilst the wording of a contract is important, what the payment is called does not determine its VAT treatment

the level of detail within the contract/agreement does not point in either direction, ie it is wrong to say that the more detail there is, the more likely there is a contract for a supply the supplier is obliged to provide reports and information to the funder. This is not an indicator either way as a condition in the agreement to report on how the payments are used will be required either to confirm supplies were made or in a grant situation act as good housekeeping to ensure the money is spent for its intended purpose

the supplier’s activities and the number of projects undertaken are influenced by the payment ie they would be significantly curtailed in the event of a withdrawal or reduction in funding. Although this could indicate there was a supply made to the funder, you must still look at whether a supply is actually made to them, as a withdrawal of a grant may equally mean a reduction in service provision

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