HMRC - VATSC51910 - Grants: Hillingdon Legal Resource Centre

Court Reference: LON/90/12Y

This case was an appeal against an assessment for over claimed input tax as Hillingdon Legal Resource Centre had claimed they were making taxable supplies to their local authority, but Customs and Excise alleged any payments received were outside the scope grants.

The trader was a charity and operated a citizens’ advice centre primarily for issues around welfare, housing and immigration. It received funding from their local authority and the London Boroughs Grants Unit. They argued the payments were consideration for a supply on the basis there was a condition that required a detailed report and accounts be submitted to the local authority to show the grant was being used as originally intended. The local authority also gave evidence that they regarded the Centre as providing its services on behalf of the Council, but they did not exercise day to day control over the Centre.

In deciding the payments were a grant and outside the scope of VAT, the judgment considered the following factors most relevant:

the free legal services were supplied by the Legal Resources Centre to the public

the Council cannot be said in substance and reality to provide any such legal services

at no time did the Council request the Centre to supply any specific legal services

the payment was made under the Local Government Act 1972 which empowered the Council to make a grant

no direct link is created simply by a requirement to submit reports on how money is spent – this is simply good housekeeping to ensure the correct use of the payment

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