HMRC - VATSC51920 - Grants: Wolverhampton Citizens' Advice Bureau

Court Reference: MAN/96/1145

Wolverhampton Citizens’ Advice Bureau (WCAB) provided facilities to give local citizens access to free legal and other advice. It was a limited company and a registered charity, adhering to the principles of the national CAB service, namely free, independent, impartial and confidential advice.

Wolverhampton Borough City Council agreed to provide funds through an annual payment and the project also received funds from other organisations such as the City Challenge Project. WCAB accepted all but the Council’s payment were outside the scope of VAT since the Council required a written service agreement to be in place - therefore that particular payment was consideration for a taxable supply by the Bureau.

Both sides accepted the supplies made qualifying for legal aid and so funded by the Legal Aid Board were taxable, but Customs and Excise viewed the funding from the Council as outside the scope of VAT as it was a non-business activity. The reason for the appeal was a desire to increase the amount of taxable income in order to have a better recovery rate on the renovation of the premises.

WCAB was subject to a service level agreement with the Council, but the Tribunal considered the case to be indistinguishable from Hillingdon Legal Resource Centre since there was nothing in the agreement to support the claim that a supply was being made. The points brought out in the judgment were:

The supply of advice was not to the funder

The services provided were not of a type that were subcontracted by the council

The factual position was that a grant was given, there was no purchasing of services by the council

The trader also made an alternative argument that two supplies were being made - one to the council of the provision of the facilities and one of advice given to local citizens. This was based on the arguments in Redrow Group plc (1999 STC 161) VATSC90400, but the Tribunal found as a fact that there were no supplies made to the Council and so there was no similarity between the cases.

Previous page

Next page