HMRC - VATSC52010 - Grants: South African Tourist Board

Court Reference: [2014] UKUT 0280 (TCC)

This case was about whether the South African Tourist Board (SATB) was making supplies in return for the payment from the South African government which provided their funding. The SATB and the provision for its funding originated in South Africa’s statute and HMRC ruled this meant there was no supplies made to the government, meaning there was no right to input tax recovery in the UK.

The First Tier Tribunal upheld this decision. SATB was subject to a performance agreement with the government and so was obliged to carry out its duties in return for the payment it received. However, the Tribunal’s view was that a statutory body in receipt of government funding could not be carrying out an economic activity.

The Upper Tribunal upheld the decision that there was no supply made to the government, saying that the necessary reciprocity was not present in the agreement and there was no direct link between payment and services, meaning there was no supply for VAT purposes. One difference in the judgement was that the Upper Tribunal stated it was not relevant that SATB was a statutory body as it is possible a statutory body discharging their statutory duties could be an economic activity.

This decision does not extend to other sources of funding from private concerns, collected by way of a levy. In those cases there is a direct link between the payments made and the advertising and other benefits provided by SATB. As this would be a taxable supply if performed within the UK this meant input tax could be recovered in as far as it related to those activities.

Previous page

Next page