HMRC - VATSC53500 - Grants: Agricultural Grants

The supply position for agricultural grants was reviewed some years ago in the context of the voluntary surrender of rights, such as a farmer surrendering a milk quota in return for a Government grant. The review included consultation with other member states and the European Commission and concluded that the treatment of such grants was inconsistent throughout the EU.

Following the review, Treasury Ministers decided that VAT should not be applied in the UK to ‘outgoers’ under the milk quota arrangements and set-aside schemes until a common approach was adopted. Since the same conditions applied to other agricultural grant schemes, it was also decided to suspend the application of VAT on them.

However, this suspension does not apply to supplies of milk quotas between farmers. These remain standard rated, unless supplied as part of a supply of land in which case they follow the same liability as the land. There are also special rules about grant aid for the processing of dried fodder which are described in

Our policy on agricultural grants is consistent with the two most important European Court judgements of Mohr

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