HMRC - VATSC56000 - Consideration: The Tilling Case

In Tilling Management Services Limited (1979 STC 365), Tilling provided management services to the operating companies of a large group, of which it was a member. Although it charged for activities connected to land or the provision of legal services, it made no charge for other services. Because of the charging structure, Tilling made large losses and these were surrendered to other group members in return for payments.

An agreement set out the terms of the arrangement which clearly linked the surrender of the losses and the payment to the associated companies and the management services supplied. The Tribunal agreed with Tilling that this arrangement did not constitute a supply for VAT purposes. However, the High Court overturned this and held that the surrender of losses in return for management services was consideration for a taxable supply.

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