HMRC - VATSC82260 - The Honourable Society Of Middle Temple (UKUT 0250)

Middle Temple opted to tax its land such that the rent it charged to its tenants was standard-rated. Thames Water supplied metered water to Middle Temple, but for historical reasons Middle Temple owned the pipes through which the water was supplied to tenants. Middle Temple issued quarterly invoices to its tenants which separately itemised rent for the premises and the charge for cold water, the latter being treated as zero-rated. The issue was whether the water was a separate supply to the leasing of the property.

The First Tier Tribunal held that the supply of water was an aim in itself for the tenants and so was a separate supply.

The Upper Tribunal overturned this decision considering the economic reality and view of the typical tenant. Since there was no practicable alternative to receive water, it was an indispensible part of the lease of the building, forming a single supply under Levob principles.

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