HMRC - VATSC91800 - The Turner Case

In Mr NO Turner trading as Turner Agricultural (Queen’s Bench 29 April 1992), Mr Turner had been a director of another business that had gone into liquidation. He took legal action against the liquidator and a firm of solicitors which he lost. He was ordered to pay their costs including the VAT element which he then reclaimed through his agricultural business.

HM Customs & Excise had assessed for input tax incorrectly claimed since the supplies were not made to Mr Turner. This decision was upheld at Tribunal and also at a subsequent appeal to the High Court with further leave to appeal refused. The decision was based on the meaning of “input tax” in what was then section 14 (now Section 24) of the VAT Act and the High Court confirmed the Tribunal chairman’s view when he said:

The words in Section 14(3)(a) … make it clear that tax paid by [the taxpayer] can only be “input tax” within the meaning of the Act if it is tax on a supply of goods or services which is supplied to him. The services, the tax upon which [the taxpayer] claims as input tax, were the services of solicitors instructed by the defendants in the two actions. These services, it seems to me, were supplied not to him but to their clients, the defendants in the actions, and for this reason the tax cannot be input tax.

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