HMRC - VATSC98400 - Direction Of Supplies: Vehicle Recovery And Parking Enforcement Services

Public authorities such as the police and local government have statutory powers to remove and store vehicles that have been abandoned or immobilised. Additionally, local authorities regulate parking in their areas, often under statutory powers, while some private landowners will impose prohibitions and restrictions on parking on their land.

It is common practice for these parties to hire contractors to enforce the regulations and prohibitions and, in so doing, charge fees to offending vehicle owners. This can produce problems in determining whether there is a supply and to whom. The position is as follows:

Fees generally do not represent consideration for any supply of goods or services to vehicle owners.

When the contractors keep the fees these amounts constitute consideration for taxable supplies of services to the hiring authorities/ landowners. This is because the fees, when charged, are the property of the authorities/ landowners who, by allowing the contractors to keep them, are effectively using the moneys to pay the contractors for their enforcement services.

This is underwritten by the Tribunal decision in the case of Seagar Enterprises Ltd t/a Security Services (LON/97/1190). In this case the appellant provided parking enforcement services to landowners, clamping offenders and charging a release fee. It argued that, under its agreements with the landowners, it received a right over the property and was effectively charging penalties as principal. The Tribunal rejected this, finding that the appellant collected the fees as agent of the landowners who, in allowing Seagar to retain them, had notionally paid them back to the appellant as consideration for its taxable services of parking enforcement.

See alsoV1-14 para 15.4 Contracted-out vehicle removals.

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