

VAT on Car Parking
Operations Committee

Committee: OPERATIONS
Date: 23 MARCH 2006
Title: VAT on Car Parking

Agenda Item

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Item for decision

Summary

A recent court case has indicated that councils may have no need to charge VAT on car parking. This could result in the Council being due a total refund of approximately £290,000 for VAT paid over to the government during the last three years, and also has a potential effect on current and future car park charges.

Recommendation

That the Committee instructs the Environment Committee to take account of the implications of any final ruling on this issue in setting future car park charges.

Background Papers

Various articles in the national press and information on HM Revenue and Customs website.

Impact

Communication/Consultation	There are no specific communication or consultation implications in this report
Community Safety	There are no specific community safety implications contained in this report
Equalities	There are no specific equalities implications contained in this report
Finance	There could be a one-off receipt of £290,000 due to the Council and a decision to be made about the annual sum of approximately £107,000 currently paid as VAT.
Human Rights	There are no specific human rights implications contained in this report
Legal implications	The potential changes are dependent on whether HM revenue and Customs win their appeal against the initial ruling
Ward-specific impacts	The are no specific ward issues in the report

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Workforce/Workplace	There are no specific workforce/workplace implications contained in this report
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Situation

1. Council car parking has always attracted standard rated VAT, with the current rate being 17.5%. This is added to the charges levied and then paid over to the HM Revenue and Customs.
2. For this Council, VAT on car parking amounts to approximately £107,000 per annum based on the budget for the current financial year.
3. The London VAT and Duties Tribunal recently upheld a case brought by four councils, the Isle of Wight, South Tyneside, West Berkshire and Mid Suffolk, who argued that they should not pay 17.5% tax on the money they raised by providing off-street parking. The basis of the argument was that the councils were running car parks as part of their statutory traffic management duties, rather than as a revenue raising business. This meant that the councils could not be considered to be operating in competition with private operators and were therefore not subject to the same VAT rules.
4. HM Revenue and Customs have now confirmed their intention to appeal against the decision. The timescale for the appeal is not known.
5. If the appeal is lost, councils will need to apply for a refund of sums paid over for the last three years. It is understood that this may not be an easy procedure and will require claims backed up by appropriate evidence.
6. The Council will need to decide whether to leave car park charges unchanged by any final ruling that removes VAT, effectively gaining approximately £107,000 per annum. This would represent a 3.5% reduction in the council tax level or would provide additional resources to invest in services. Alternatively, the Council could decide to reduce car park charges by an appropriate amount. There is also the possibility that the government may make a reduction in council funding to recover the loss of the VAT.

Risk Analysis

Risk	Likelihood	Impact	Mitigating Actions
Taking any decisions before any final ruling is known	LOW	MEDIUM	Monitoring of the progress of the appeal