

Michael Furness

From: Lavat Helpline <helpline@pstax.co.uk>
Sent: 05 September 2023 11:22
To: Nicola Gardner
Subject: Re: PE and Opting to tax

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Good morning Nicola

Thank you for your query, and I hope you are well.

An option to tax will turn exempt land and building supplies into taxable ones. However, there are specific scenarios where this can be disapplied, including residential properties and certain supplies of land and buildings to charities. This is further detailed in [VAT Notice 742A, section 3](#).

For commercial properties, there are two ways of managing this: either reviewing each property on a case-by-case basis and determining the impact that property will have on the partial exemption position (i.e. revenue expenditure and forecast capital expenditure) or applying a blanket approach that the Council will opt to tax all of its commercial properties.

There is no right or wrong approach, and the decision should be taken in the best interests of the Council Partial Exemption position. However, you may find that your property colleagues may disagree with this. Adding VAT to a rental value may make the property more challenging to market as not all tenants can recover the VAT. Again, there are ways around this, which may result in the Council losing out on rental income (i.e. agreeing to a VAT-inclusive rent). However, this may save a considerable amount of money if it protects the partial exemption position.

I hope the above helps as a starter.

Kind Regards

Jon

020 7060 9265
helpline@pstax.co.uk

Book your place on our annual Torquay residential VAT training being held on 9-13 October 2023.

The Torquay VAT course is a long-established and unique event for public sector VAT practitioners and trainees, benefiting from our always up-to-date and dynamic understanding of public sector VAT.

The course provides a comprehensive grounding in public sector VAT in a relaxed, informal, and participative environment, with plenty of anecdotes and examples to reinforce learning. Even if you have attended our Torquay course before, this will be a new and valuable learning experience for you.

Book your place at: [Torquay 2023 | PSTAX](#)

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On Tuesday, 5 September 2023, 08:47:19 +0100, Nicola Gardner <Nicola.Gardner@cherwell-dc.gov.uk> wrote:

Good Morning,

In the past I have had many conversations about our partial exemption position and the best way to mitigate this being an option to tax on our commercial land/properties. As these conversations have been in forums/training/helpline I have nothing in writing.

Our partial exemption is above 5% in our forecast for the year but we think this will improve as the year goes on, we are likely, however, to breach next year due to works needed on a residential building. Due to this I have written a report to the corporate leadership team recommending that we opt to tax all of our commercial properties owned and purchased in the future. Please can you provide a written confirmation that this is the best approach to mitigate our risk and that this is the approach taken by most councils.

Many thanks,

Nicola Gardner

Service Accountant

Finance

Cherwell District Council

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Please note my working hours are 08:00-16:30 Mon-Thur & 08:00 – 13:00 Fri

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