

Discussions with VAT Consultant – Dave Brown (Oct & Nov 2020)

(NB. I'm not a VAT expert, and further advice may need to be sought from a specialist with knowledge of Parish Council VAT transactions)

Purchase of Pynes Orchard

1. Ide PC (IPC) uses the VAT126 procedure to reclaim the VAT charged on the purchase of Pynes Orchard for non-business (ie. Community) purposes.
2. IPC cannot use the VAT126 procedure if it already VAT registered – it must therefore acquire the Orchard approx. 2 months before acquiring Weir Meadow & Northern Fields.
3. A small income (eg. from the sale of apples) should not prejudice the reclaim of the VAT.

Purchase of Weir Meadow & Northern Fields

(i) No VAT charged by Church Commissioners on sale of Northern Fields:

1. If the Church Commissioners have not elected to Opt to tax the Northern Fields for VAT purposes and there is no VAT charged on the purchase of the Northern Fields by IPC, then the VAT126 procedure can be used by IPC to reclaim the VAT charged on the purchase of Weir Meadow (in the same way as for the purchase of Pynes Orchard).
2. There will be thus no requirement for IPC to register for VAT, and no VAT will need to be charged on the rents due from Ide Cricket Club & the tenant farmer.

(ii) VAT is charged by Church Commissioners on sale of Northern Fields as well as Weir Meadow:

1. IPC will need to Opt to tax the Northern Fields in order to reclaim the VAT charged on their purchase by IPC. This requires VAT to be charged on the rent to the farmer.
2. In order to Opt to tax, IPC must be VAT registered, which precludes the use of the VAT126 procedure to reclaim the VAT on the purchase of Weir Meadow. There may be other implications for IPC on registering for VAT & advice may need to be sought on this.
3. IPC must therefore also Opt to tax Weir Meadow and charge VAT on the rent to the Cricket Club.
4. If, within a period of 20 years from the date of purchase, the use of the Northern Fields is changed to, say, Community use (in order to qualify for grants) then at the date of the change of use HMRC will clawback VAT based on the market value of the land at that date.
5. If there is to be change of use within 20 years, the only way to avoid the charge by HMRC is not to reclaim the VAT on the purchase of the Northern Fields. This would mean that IPC could reclaim the VAT on the purchase of Weir Meadow using the VAT126 procedure without having to register for VAT.