

Cultural VAT exemption

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CATEGORY:

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For reasons that are not clear the litigation did not extend to periods post dating 1996, which is the year in which HMRC introduced specific legislation to govern the application of the exemption. However, BFI is pursuing discussions with HMRC on that point. The decision, however, is notable for its failure to stick rigidly to the issues relating to the 1990s, but rather cast its net so much wider that it made clear that its decision was that the current UK VAT legislation was too restrictive and exemption could not be limited to the list of activities in the UK legislation. This means not only that cinema (if provided by a qualifying constituted body) is exempt, but this can extend to other activities of a cultural nature not listed, such as botanical gardens. The decision may be appealed, but it does appear to be based on firm foundations.


Any charities or other non-profit bodies which carry out activities which are 'cultural', but which do not appear in the UK legislation list should contact us for further advice on their position. The decision, although generally welcome, could be adverse for those clients who prefer to be fully taxable (to recover input tax), and have defended their position hitherto on the basis that they are not included in the list. Although they can continue to defend that position while UK legislation remains unaltered, the likely outcome would be a change in legislation which may disadvantage them. There are ways that such organisations can legitimately preserve taxable status in that event.

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