

Afternoon Steve

Thank you for talking to me just now.

As explained I am still concerned about our VAT position.

Once the building is constructed it automatically becomes the property of the Lloyds Trustee. The Parish Council are going to reclaim the VAT on the Youth build as we are able to do so on non-business transactions. But the Lloyd Recreation Ground Trustees (the PC are the sole managing Trustee) are wanting to issue the lease and charge rent for more than £1 per annum thus making it a business transaction. They are also going to look at issuing a service charge / recover some of the cost of the utility bills from the Youth Group.

Are the PC / Trustees able to do this?

As you are aware the Trustee's money is kept within the PC's bank account although shown in a separate budget/ full accounts. Is it advisable to get a separate bank account as well especially as the Trustee are hoping to charge rents and services charges?

Thank you for your assistance in this matter.

regards

Melanie Wathen  
Clerk to the Council

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## Melanie Wathen

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**From:** Sean McGinness <Sean.McGinness@thevatconsultancy.com>  
**Sent:** 05 September 2012 10:25  
**To:** clerkmpc@btconnect.com  
**Cc:** Steve McIntyre  
**Subject:** VAT advice - Marchwood Parish Council (Sent on behalf of Steve McIntyre)

Hi Melanie,

Steve has asked me to reply to your email below.

As you discussed with Steve the Parish Council can recover the VAT on the basis that the costs incurred relate to its non-business activities. On completion the property will pass to the Lloyds Recreation Ground Trustees.

The Trust and the Parish Council are separate entities which has been confirmed by HMRC advising that the Trusts income and expenses should not be included on the Parish Council's VAT return. On this basis, the fact that the Trust will be making a business supply of the property by charging rent for use does not affect the VAT recovery by the Parish Council. This is the case even if the Trust is making an exempt supply (which it will be as it has not opted to tax the property).

The Trust's exempt supply only affects recovery of VAT on costs incurred by the Trust (ie it cannot recover VAT on costs if it is only making exempt supplies. I presume it is not VAT registered in any case?).

Please let me know if you would like to discuss.

Kind regards

Sean

Sean McGinness  
VAT Manager

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**From:** Melanie Wathen [<mailto:clerkmpc@btconnect.com>]  
**Sent:** 30 August 2012 12:33  
**To:** Steve McIntyre  
**Subject:** RE: VAT advice - Marchwood Parish Council