

COUNCIL BUSINESS COMMITTEE

H. M. Revenues and Customs – VAT Regulations 17th January 2008

Report of the Head of Democratic Services

PURPOSE OF REPORT

To advise Members of a request from West Lothian Council seeking support for their position regarding changes in VAT regulations.

This report is public

RECOMMENDATIONS

That the Committee consider whether this Council should support the motion passed by West Lothian Council regarding changes to VAT regulations affecting not for profit leisure trusts.

1.0 Report

The following has been received from West Lothian Council:

At the meeting of the Council held on 6th November 2007 the following Motion was unanimously agreed:

'West Lothian Council notes with extreme concern that Her Majesty's Revenue & Customs are imposing a tax change in VAT regulations which will add a substantial tax burden upon West Lothian Leisure and all other not for profit trusts providing leisure services, by requiring VAT to be levied on membership packages which include the use of health suite facilities such as saunas and steam rooms.

Council notes that as a direct result of these VAT changes West Lothian Leisure are facing an increased tax bill for the 2007/08 financial year of approximately £250,000 and that demands for repayment of past years' tax could escalate this figure towards, £1,000,000.

Council notes that West Lothian Leisure has acted to reduce this potential tax burden by withdrawing the use of health suite facilities from their membership packages with effect from 31st October and has also been forced to introduce a separate additional charge for the use of these facilities.

Council asserts that these tax changes are a direct attack on attempts to increase sports participation and will seriously undermine the development of a healthier, leaner

and fitter society, with, in particular, those who are in the lower socioeconomic groups being adversely affected.

Council therefore condemns the imposition of these tax changes, calls for the removal of this additional tax burden and resolves to:

- 1. write to the Prime Minister and Chancellor demanding the removal of this additional tax burden*
- 2. write to Lothian MPs seeking their support for the position of this Council*
- 3. write to the First Minister requesting the support of the Scottish Parliament for the removal of this additional burden*
- 4. circulate this motion to all local UK authorities seeking their support for the position of this council*
- 5. write to COSLA requesting their support for the position of this Council.*

The issue referred to appears not to be an actual change in VAT Regulations, but the result of a recent decision in the Court of Session, confirming that of a preceding VAT Tribunal, which provides clarification of existing Regulations.

It should be noted that, although the Motion focuses on Leisure Trusts, there are similar implications for services provided direct by a local authority.

This Council already treats such membership packages as standard rated, ie it is already complying with the Court's decision.

2.0 Options

The Terms of Reference of the Council Business Committee provide for this committee to determine the method of response and where necessary ratify responses on behalf of full Council to consultations.

Whilst a process is in place to deal with government and other consultation exercises in an efficient manner, Members may wish to consider these more 'ad hoc' issues promoted by other Local Authorities on a more individual basis.

The Committee is therefore requested to consider:

Option 1 – to agree with the motion put forward and offer support by writing to the Prime Minister and Chancellor.

Option 2 – to take no action

Option 3 – to refer the matter to full Council for a full debate by all members.

3.0 Conclusion

The Court's decision has no implications for this Council, because it already treats membership packages of this type as standard rated. Were the change requested by West Lothian Council to be made, then there would be some limited financial benefit to the Council, although this would be offset by a need for additional administrative input.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

There are no direct implications as a result of this report.

FINANCIAL IMPLICATIONS

Nothing material as a direct result of this report – see comments in paragraph 3.0.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

None as a direct result of this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

Letter from West Lothian Council – 20th
November 2007

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