

VAT & Commoners Associations

Extracts from Nibblers online discussion group

Has anyone any experience of the VAT status of various commoners associations? We are looking at the Corfe Common Management Committee becoming the holders for CSS / HLS on the common, but wondered if there are VAT implications in doing this - are other commoners associations registered charities or some other form of unincorporated body?

David Hodd

do they want to be registered, David? It would seem like a good idea given that the bulk of their income would seem to be VAT free whereas the VAT on their costs could all be reclaimed, making them net recipients. I imagine that they have the same choice about status that any other group would have since VAT involvement is voluntary for small businesses; sorry I forget the threshold turnover value.

Bill Grayson

Under current CSS their turnover will be less than £50k - so that is fine for now, but is likely to change when we enter HLS and finally get SFP sorted out. We are comparing them to running the accounts through the Trust - where we effectively pay VAT at a rate of 1.75% as we cannot reclaim all of our VAT. There would of course also be the question of Public liability insurance to work through too.

David Hodd

Hiya David and how are you? Interesting question!! Through our Community Commons project we have worked with, and helped set up, a few Commons Associations who are going for ELS/HLS (you do know that Commons can go straight into HLS by the way?) but not being directly involved I can't answer your VAT question you may want to ring Tim Breakwell who worked on the project 01432 853205, he may be able to help you. Or email tim.breakwell@hnt-commons.co.uk for more info.

Hope all is well.

Francesca Griffith thanks Fran - National Trust owned commons can't go for HLS until the RPA have mapped our SFP, and if I understand it right, they haven't even looked at NT commons, and are still mapping our more straightforward in hand land.

David Hodd

Here are some responses re: Commons Associations and VAT from some enquiries made by Sam Alston at Natural England. For contact details for any of these please contact Adam Cormack in the GAP Office on 0845 603 9917

"As I understand it, Commons Associations do not have to register for VAT as they are not businesses. In any case 'Environmental ' payments are outside the scope of VAT. If farmers are

wanting to claim back VAT on fees charged by the Agent working for the Association, individual invoices will have to be issued by the agent to each farmer. Most agents dealing with commons environmental schemes tend to know how this is sorted.

"We manage about ten commons associations who all hold ESA/CSS/HLS agreements and none are VAT registered. They are not trading so as I understand it they are exempt from VAT (see below extract from Inland Revenue website). We use a structure where all members are trustees and a deed is drawn up where each member indemnifies the others. I know Robert has used a limited company model but with the agri-environment scheme they are not "in business". Where there is a VAT issue e.g. on fees you can always split up the bill and each member claims back the VAT through their own business"

"I have one limited company and a number of associations which I am involved with. Government grants have no VAT and hence the money can be paid in and out without a problem. I normally refer to the payment as for grazing in accordance with the agreement. Where bracken spraying has been done no vat can be reclaimed but if on actual costs then vat element is part of the cost".

In case it helps. Money paid for grazing is not exempt from VAT but it taxable at zero rate. I think this means that it has to be included in the turnover calculation which may make you compulsory VAT registered, which of course then allows you to reclaim the input Vat and receive a cheerful cheque from the Vatman. As this is a moving target it would be best to check before taking this as gospel, as it is some years old.

We live in a great world where something is tax able but pays no tax.

I think hay and silage is the same provided it is eaten by edible animals such as cattle, and sheep (or goats ?) What happens if you keep horses for the French market is a good question but if horses have to have passports as they may enter the food chain common sense would say that they are comparable to cattle, but letting common sense come into it, is probably a great mistake.

Richard M
