

RIBBLE VALLEY BOROUGH COUNCIL INFORMATION

REPORT TO POLICY AND FINANCE COMMITTEE

Agenda Item No 18

meeting date: 25 MARCH 2014
 title: VAT SHELTER
 submitted by: DIRECTOR OF RESOURCES
 principal author: JANE PEARSON

1 PURPOSE

1.1 To inform members of the latest position on the VAT Shelter negotiated as part of Housing Stock Transfer.

2 BACKGROUND

2.1 When the Council transferred its Housing Stock in 2008 part of the agreement was to create a VAT Shelter. In simple terms this is an agreement whereby the Housing Association (Ribble Valley Homes) who can't recover VAT on Repairs and Improvements use a VAT shelter agreed between the council and HMRC to claim back VAT.

2.2 The VAT recouped is then shared between the Housing Association and the Council on terms to be agreed, in our case the agreement was:

Council share of VAT recouped		
100%	First 5 years	2008 - 2013
75%	Years 6 – 10	2013 – 2018
40%	Years 11 - 15	2018 - 2023

3 FINANCIAL INFORMATION

3.1 At the outset our share of the VAT to be recovered was estimated at:

Year	£000's	Year	£000's	Year	£000's
1	391	6	357	11	116
2	447	7	366	12	119
3	566	8	375	13	122
4	459	9	385	14	125
5	464	10	395	15	129

Total council share of VAT proceeds £4.816m.

The actual figures to the last completed financial year are shown below:

Year	Actual £000's	Estimated in Original Agreement £000's
1	183	391
2	492	447
3	475	566
4	448	459
5	383	464
	1,978	2,327

5 CHANGE IN VAT RATE

- 5.1 The change in the rate of VAT since the VAT shelter was created obviously impacts on the amounts generated. The previous Government introduced a temporary reduction in VAT to 15% from 1 December 2008 until 31 December 2009. VAT returned to 17.5% from 1 January 2010 until the VAT rate was increased to 20% from 4 January 2011.

6 CONCLUSION

- 6.1 Despite the increase in the rate of VAT since the VAT Shelter was set up our receipts to date are approximately £350,000 less than originally expected. However, over the next 10 years we can anticipate receipts in the region of £2.5m. To date the council has received £1.978m from the VAT shelter.

DIRECTOR OF RESOURCES

PF21-14/JP/AC
13 March 2014