

VAT Agenda

Mitigating the VAT cost of Shared Services

Currently partially exempt businesses or organisations with a mix of business and non business activities, including charities, are unable to share services such as HR and IT, as using a separate organisation to do so can create a VAT charge, which in many cases makes the position uneconomic.

However, it was announced in the Coalition Budget that HMRC will work with charities and other sectors, such as insurance and financial services businesses, to consider implementing the EU cost sharing exemption. A formal consultation is to be launched in the autumn.

Should the exemption be implemented, this would be advantageous to all entities that cannot recover VAT they incur in full, as it would allow them to pass on a share of costs incurred by more than one party without having to charge VAT.

Should you wish to discuss this or any other VAT matter, please do not hesitate to contact us.

Elysian Associates
July 2010
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