

6<sup>th</sup> November 2015  
Partial Exemption

M Kostrzewski

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5374

**Re: PARTIAL EXEMPT VAT – ANTICIPATED BREACH**

Dear Sir/Madam,

I am writing to inform you of the Council's capital build plans for some commercial units and the resultant partial exempt vat implications.

The Council suffered a fire in two of its commercial units and is looking to replace them as part of an Insurance claim. The cost of the replacement will be some c £440k and this is scheduled to take place majorly in the 2015/16 financial year. Also, the Council agreed to build 11 new commercial units costing c £1.7m, once again, the major part of this work is scheduled to take place in financial year 2015/16 however for both capital schemes some work will also take place in 2016/17. Both capital schemes are taking place on land that has not been opted to tax. As such, we have been undertaking some Vat modelling to gauge the impacts on the Council's partial exempt Vat position over a 7 year period, as stipulated by HMRC regulation. The years and estimated percentage rates are detailed below with the forecast partial exempt vat rates emboldened and highlighted.

2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
1.28%	1.13%	1.86%	1.19%	<b>6.16%</b>	<b>3.49%</b>	<b>1.36%</b>

NOTE: Seven year average 2.35%

As can be demonstrated from the above there is an anticipated breach in 2015/16 however the partial exempt vat percentage has been appreciably under the threshold of 5% in previous years. Also, that what I have detailed with regards the capital schemes is an occasional event with the result being that the 7 year percentage is also appreciably below the threshold.

I would appreciate you confirming by letter that you concur that the breach in the threshold is an occasional event and passes the 7 year average threshold indicator. Hence, there are no partial exempt vat implications that this Council could be liable for in the situations that I have detailed herein.

Regards,

**Michael G Kostrzewski**  
**Deputy Borough Treasurer**