



TOWN COUNCIL MEETING 8TH JULY 2024

Almonry Admission Fees

The statutory activities of local authorities are outside the scope of VAT. This means that councils cannot recover VAT incurred in delivering those activities however, to address this, section 33 of the VAT Act 1994 allows local authorities to recover:

- i. All the input VAT incurred on goods and services purchased in relation to their **non-business** activities; and
- ii. An “insignificant amount” of input VAT incurred in relation to their **exempt** business supplies.

Non-business activities include the councils work as a statutory body, i.e. meetings etc and the costs of the administration of these, as well as services it provides at no cost, for example the provision of the field at Hampton as an area of recreation, and items such as benches, streetlighting, flower displays and bus shelters.

The third type of supply is the council’s **taxable supplies**, and these would include VATable items sold in the Almonry shop, fees for contracts for the planting of graves for individuals, and tickets sold for the annual bonfire. These are straightforward, as VAT is charged at source and passed onto HMRC.

Almonry

As a museum, the Almonry admission fees are subject to a cultural exemption, which moves these fees from a taxable supply to an exempt supply. In practice, this means that no VAT is charged on admission fees but the council can still recover the VAT paid on purchases that relate to the costs of the Almonry, as allowed under section 33 of the 1994 VAT Act. However the de minimus limit at (ii) above applies.

What has changed?

The council has been awarded £2.1M for the MEND restoration project. Duly, these funds will be spent on purchases on which VAT has been added and which the council will want to recover from HMRC as part of its usual VAT claim under s.33 of the VAT act.



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The expenditure of the project will push the council's VAT claim above the de minimus limit. The MEND funding will not pay for VAT, so if the council cannot recover the VAT, it will need to fund the VAT element of all purchases relating to the project. For a project with a value of £2.1M, this would equate to £420,000.

A consultant was engaged to look into the council's options. The report is expected imminently and will be forwarded when available. The recommendation of the report is that the Almonry admission fees be reduced to zero. This will change the supply from exempt to non-business allowing the full recovery of VAT for items of expenditure from the restoration project.

In addition, the fees must remain as a non-business supply for a minimum of 10 years.

The Almonry fees are currently budgeted at £8000 per year. Necessarily there would be no admission fees drawn for the 3 years while the project is underway.

The Almonry can request voluntary donations for the museum from visitors, but these must be entirely voluntary. There is no scope to require a set fee and call it a donation. Donations received are outside the scope of VAT and there are no VAT implications.

Should the council decide to set the Almonry admission fees to zero, the shortfall in income will need to be taken into account when budgets are set going forward.

The Council is asked to consider setting the Almonry Admission Fees to zero from the 1st August 2024.