



## VAT: refunds to combined authorities

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### Who is likely to be affected?

Five combined authorities established, or (subject to Parliamentary approval) in the process of being established, under section 103 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDC Act). These are:

The Barnsley, Doncaster, Rotherham and Sheffield Combined Authority  
The Durham, Gateshead, Newcastle Upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland Combined Authority  
The Halton, Knowsley, Liverpool, St Helens, Sefton and Wirral Combined Authority  
The Greater Manchester Combined Authority  
The West Yorkshire Combined Authority

### General description of the measure

This measure will add these bodies to a scheme in the VAT Act 1994 (VATA) through which VAT may be recovered.

### Policy objective

The scheme in VATA ensures that what would otherwise be irrecoverable VAT does not become a cost borne out of local taxation. It refunds to (mainly) local government bodies the VAT paid on purchases made to support their non-business activities.

### Background to the measure

Since VAT was introduced in 1973, local councils have been able to reclaim VAT under the scheme in the VATA. Section 103 of the LDEDC Act enables the Secretary of State to establish combined authorities in an area consisting of two or more local government areas to assume responsibility for economic development, regeneration and transport across that area. This measure will ensure that combined authorities that have been, or are in the process of being, so established can recover VAT just as the constituent local councils can.

The Order does not cover future combined authorities and their circumstances will be considered closer to the date when they are established.

## Detailed proposal

### Operative date

The measure will have effect from [the earliest date after the Instrument is made].

## Current law

Section 33(1) of the VATA refunds to eligible bodies the VAT paid on purchases, acquisitions and importations made in support of their non-business activities. Among the eligible bodies named in section 33(3) are local authorities. The term local authority is defined in section 96(4) of the VAT Act and this definition does not include combined authorities. The Treasury has the power under section 33(3)(k) to make orders specifying other bodies so that they too can recover VAT under section 33(1).

## Proposed revisions

The Treasury will make an order specifying the named combined authorities as being bodies entitled to recover VAT.

## Summary of impacts

<b>Exchequer impact (£m)</b>	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	-	nil	nil	nil	nil	nil
	The measure is not expected to have an Exchequer impact.					
<b>Economic impact</b>	The measure is not expected to have any significant economic impact.					
<b>Impact on individuals and households</b>	The measure will refund to the named combined authorities the VAT paid on their non-business purchases, in the same way that their constituent councils are refunded VAT, with no anticipated impact on individuals or households.					
<b>Equalities impacts</b>	It is not expected that this measure will have any impact on groups sharing protected characteristics.					
<b>Impact on business including civil society organisations</b>	This measure is expected to have no impact on businesses or civil society organisations. It ensures that combined authorities which have been established, or are in the process of becoming established, to take on economic development, regeneration and transport responsibilities are not, for the purposes of VAT, disadvantaged over local councils which retain these functions.					
<b>Operational impact (£m) (HMRC or other)</b>	This measure will have no operational impact.					
<b>Other impacts</b>	Other impacts have been considered and none have been identified.					

**Monitoring and evaluation**

The measure will be kept under review through communication with affected taxpayer groups.

**Further advice**

If you have any questions about this change, please contact David Ogilvie on 03000 585990 (email: [david.ogilvie@hmrc.gsi.gov.uk](mailto:david.ogilvie@hmrc.gsi.gov.uk)).

**Declaration**

David Gauke MP, Exchequer Secretary, has read this Tax Information and Impact Note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.