

20231109: Agenda Item 12 – Magazine Income & VAT

Background

The Parish Council is not registered for VAT but is allowed to claim VAT paid back on non-business activities such as cemeteries, allotments, play areas, grounds maintenance or anything we provide free of charge; this we claim annually.

Our income streams from Cemetery and Allotment fees and any other exempt non-business activities are not subject to VAT as most are governed by statute and/or otherwise excluded by HMRC from the requirement to charge VAT, however advertising is considered a business activity as it directly competes with other businesses, which also offer advertising space and is not governed by statute, so VAT should be charged on the magazine income we receive and the Parish Council should be registered for VAT.

Key points:

1. There is a zero threshold for local authorities for VAT registration, unlike businesses, so technically we should be registered if we receive any business activity related income.
2. However, the HMRC will ignore a VAT liability under £1,000 (so that is income up to £5,000) but will expect VAT to be paid on the full amount received at 20% if income received exceeds this figure.
3. Even though the magazine is a separate entity and run by volunteers the income is invoiced and received by the Parish Council and the Parish Council pays the invoices, therefore despite not managing or producing the magazine directly the financial liability rests with the Parish Council.
4. Advertising Income Budget over last three years: £5,000 per annum.
5. Magazine Postage is exempt from VAT.
6. Under HMRC rules Charities and Not for Profits are able to advertise in publications free of VAT (Zero rated).
7. Income received to date in 2023/24 - £4,717, of which £215 relates to charity/not for profit advertising and £55 relates to postage, leaving a total of £4,447 potentially subject to VAT. This £553 within the threshold in 2 above.
8. Income received over the previous three years was £5,211 in 2022/23, £5,927.50 in 2021/22 And £3,542 in 2020-21. Some of this will be zero rated or exempt as per points 5 and 6 above.
9. Advice has been taken from DALC, who consulted their VAT specialist Parkinson Partnership who stated that ***“If the council is invoicing the advertisers, receiving the funds into its bank account and using them to pay the expenses of producing the magazine, it should probably have registered for VAT some time ago”***.
10. Registering for VAT will result in additional costs for advertisers, which can only be reclaimed by those who are VAT registered and additional staffing costs to the Parish to undertake the extra work, it is therefore important to ensure that the variable element of the magazine income, which is business advertising is kept below the £5,000 threshold.
11. The Clerk has been working with the Magazine Volunteers to keep the variable advertising income within the threshold.

Suggested Way Forward:

The magazine will continue to be produced bi-monthly – 6 issues a year. The volunteers have produced a paper for consideration, which accompanies the agenda.

Debbie Bird
Willand Parish Council
Clerk & Responsible Financial Officer
25 October 2023