

On the road to a tax saving



Working with the association's financial controller, Janice provided HMRC with a detailed analysis of the BVRLA's income and expenditure streams and, after a series of correspondence, HMRC agreed that income from the BVRLA's members was exempt by reason of mutual trading.

As a result of the decision, the BVRLA was able to claim a corporation tax refund for the previous two tax years, amounting to more than £100,000, an excellent outcome for the association.

The issue

John Lewis, chief executive of the British Vehicle Rental and Leasing Association (BVRLA), asked Kingston Smith to look at the association's tax position, particularly whether it should be paying tax on its trading activities with members. Mr Lewis asked if the association should be covered by the 'mutual trading exemption', which is designed to ensure that trade associations do not pay tax on profits that arise from trading with members.

The BVRLA is the trade association for the UK's vehicle leasing and renting sector and has over 750 members. It offers its members a number of paid-for services, including the Vehicle Mileage Database, which records the mileage of vehicles after they have finished their life in the hire or rental sector and are sold in the second-hand car market.

This is provided on licensed use to BVRLA member organisations. The association also produces a Residual Value Survey, containing future residual values and maintenance costs for a wide selection of cars and vans. Up until now, the association had been paying tax on all of its trading profits.

The solution

After reviewing the case, Kingston Smith partner Janice Riches contacted HMRC on the association's behalf and asked for the BVRLA's relevant profits to be exempt under the mutual trading rule. The BVRLA had negotiated an agreement with the Inland Revenue in 1975 covering the taxation of income from its subsidiaries, but the Kingston Smith team argued that this agreement should not be applied to additional income.

About Kingston Smith's trade associations team

Kingston Smith is a top 20 firm of Chartered Accountants. With over 70 trade association clients we have in-depth experience of the issues trade associations face. This knowledge enables us to offer practical advice and share areas of best practice to help your trade association succeed in meeting your core objectives.

To find out more about Kingston Smith's services to the trade associations sector please visit: www.kingstonsmith.co.uk

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