

## VAT on investment management fees

About a year ago one of the Nuffield charities publicised the fact that they had succeeded in reclaiming VAT on investment managers fees to the extent that its investment income was supporting the VAT-able activities of the charity. This followed the argument of the Children's Society case concerning VAT on fundraising costs; and overturned the long-standing decision in the Wellcome case that the activity of managing investments was not in itself a business one. The result was that the input VAT on investment management fees was no longer disallowable, but partly recoverable depending on the circumstances.

Can you make a similar claim?

Subsequent claims from other charities using the same arguments appear to have been referred to HM Revenue & Customs Policy division to rule on the principle behind the claims. We understand that HMRC have finally agreed that such claims are valid and that they will issue a briefing about it in due course. To date, no information has been published, but meanwhile some of our clients have recently been paid in respect of claims already submitted.

The ability to recover a proportion of input VAT on investment management fees depends on the nature of the charity's activities and what its investment portfolio is used for. Provided that part of the charity's activities are subject to VAT, and the investment income is used to support those activities, then it should be possible to submit a claim now in respect of input VAT not previously claimed, in accordance with the charity's normal partial exemption calculation. Currently, it is possible to make a retrospective claim as far back as the VAT return period ending in Spring 2006, but this cut-off date depends on your charity's circumstances and will move forward.

What to do now?

If you think your charity may be affected by this new interpretation, it is worth making a claim before 31 March 2010 to obtain the maximum benefit. You will need to obtain details of the amount of investment management fees and VAT thereon paid starting from 1 January 2006 or the following two months depending on the dates covered by your quarterly VAT returns. If you require further assistance in submitting your claims, please contact James Cross at [jcross@kingstonsmith.co.uk](mailto:jcross@kingstonsmith.co.uk).

Find out more about the services offered by the [Charities team](#) and [VAT team](#).

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