

<b>Approved by:</b> Debbie Martin Chief Finance Officer, Essex Police	<b>Classification of paper:</b> Not Protectively Marked
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<b>Report to PCC</b>	<b>Report reference number</b> EPBN 0023-2013 PCC/0052/13
<b>Date of decision</b> <b>Date of report</b> 19 <sup>th</sup> December 2013	<b>Area of county/stakeholders affected</b> Forcewide
<b>Title of report</b> VAT Grouping	
<b>Report by</b> Alistair Greer, Corporate Accounting Manager	
<b>Enquiries to</b> Debbie Martin, Chief Finance Officer to the Chief Constable	

**1.0 Purpose of the Report**

1.1 To explain the options for the VAT treatment of the Police and Crime Commissioner (PCC) and the Chief Constable (CC) under Stage 2.

**2.0 Recommendations**

2.1 The PCC is recommended to support the VAT grouping option.

### **3.0 Benefits of Proposal**

3.1 The proposal identifies the VAT registration option under Stage 2 that is in the best interests of the PCC and CC.

### **4.0 Background and Proposal**

4.1 Under the Police Reform and Social Responsibility Act 2011, the PCC and CC are separate legal entities.

4.2 Under Stage 1, only the PCC is required by HMRC to be VAT registered. It is anticipated that at Stage 2 the PCC and CC will each be required to have a separate VAT status.

4.3 HMRC have confirmed that PCCs and CCs are eligible to form VAT groups if they so wish. A VAT group would have a single registration number and would submit a single monthly return to HMRC. Any supply between the PCC and CC would not be considered for VAT.

4.4 The alternative to a VAT group would be the PCC and CC remaining as separate entities for VAT purposes. Each would have its own registration number and would be required to submit its own return. Any supply between the two bodies could potentially attract VAT.

4.5 There are clear benefits for the PCC and CC to form a VAT group. These include:

- a) streamlining of the VAT administration process with one single monthly return;
- b) avoidance of confusion among suppliers as to whom they are supplying goods and services (PCC or CC);
- c) avoidance of confusion among staff as to which entity (PCC or CC) is making a supply to customers;
- d) removal of the risk of supply between the two bodies attracting VAT.

4.6 There are some potential drawbacks, such as:

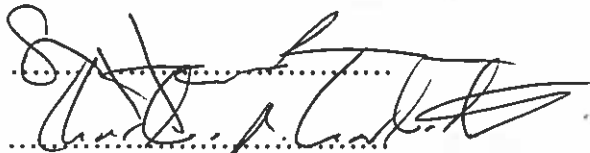
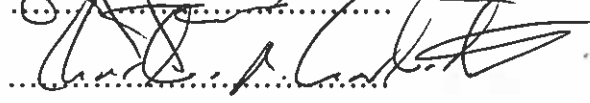
- a) the VAT group has to have a new VAT number;
- b) all the members of the group remain jointly and severally liable for any VAT debts.

4.7 On balance, a VAT group is considered to be in the best interests of the PCC and the CC. This view is supported by both the CC's and PCC's Chief Finance Officers, and by the force Chief Officer Management Group. The PCC is therefore recommended to support this option.

4.8 Registration for a VAT group would need to be completed before Stage 2. It would be beneficial for the registration process to take place early in 2014 to allow sufficient time for the necessary systems and administrative changes to be completed.

**Report Approval**

The report will be signed off by the Chief Executive and CFO and the PCC Solicitor where legal implications arise.

Chief Executive/M.O .....   
Chief Financial Officer .....   
PCC Legal Advisor ..... (as necessary)

**Decision**

I agree the recommendations to this report

  
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**PCC/Deputy PCC**

I do not agree the recommendations to this report because

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**PCC/Deputy PCC**

**5.0 Police and Crime Plan**

5.1 No implications.

**6.0 Police Operational Implications**

6.1 None.

**7.0 Financial Implications**

7.1 Fully covered in section 4.

**8.0 Legal and Contractual Implications**

8.1 Fully covered in section 4.

**9.0 Staffing and Other Resource Implications**

9.1 None.

**Publication**

**Reasons for non-publication** (*state 'None' if applicable*)

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Signed/Print name

Report for publication	YES	<input type="checkbox"/>
	NO	<input type="checkbox"/>

If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

