



VAT | Cathedrals

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Cathedrals are, of course, great architectural monuments as well as centres of Christian observance. Many of them are of such quality and interest that they also function as a visitor attraction. Whilst the primary focus of Cathedral life is religious, and religious use is rarely a "business" for VAT purposes, that other aspect can fall into the category of a business activity. Where there is a "taxable" business activity, there is scope for reclaiming VAT on costs. And the VAT on costs can mount up. Despite the listed places of worship VAT refund scheme, a good deal of VAT expenditure for a Cathedral is not relieved. Nor do we know how long the refund scheme will continue following the EU's failure to agree that works to listed churches could be included in the list of lower rated work.

For these reasons it is very important to be aware – as many readers no doubt will be - that HMRC generally accepts an estimation approach to reclaiming VAT on Cathedrals which was introduced some fifteen years ago, and is based around "bands" which give a rough approximation of the business use of different types or classes of cathedral. These rules are not too easy to find, but can be located in at least one on-line version of the HMRC VAT Manuals. They are as follows:

Band A (90%) – to apply where there are significant admission charges to all main areas (for example St Paul's Cathedral, Ely Cathedral);

Band B (65%) – to apply where there is no admission charge into the Cathedral, but there are high numbers of visitors, and associated with these is significant taxable income, such as from admission charges to other areas (crypt, museum, tower etc), lettings for concerts etc;

Band C (45%) – to apply where there is no admission charge into the Cathedral, insignificant taxable income from admission charges for other areas, but a reasonable number of visitors generating income from other sources, for example the book/souvenir shop;

Band D (25%) – to apply where there are no admission charges or only a few small charges and small numbers of visitors and little taxable income.

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The above text has not changed for many years and the references to particular cathedrals are not necessarily still valid. But as a general rule of thumb they are useful, since there really is no objective way of measuring a cathedral's use. Their acceptance by VAT officers avoids pointless debate over un-provable arguments. It is important, however, to realise that not all such business use is taxable; some being exempt, and leading to partial exemption issues. Furthermore, the agreed banding can and should be reviewed should the mix of activities change significantly.

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