Summary of Recommended Actions

The following actions are recommended, in priority order:

Immediate	Comment
Confirm whether an option to tax exists on the Town Hall — contact HMRC's Option to Tax National Unit if records are unclear.	HMRC confirm Town Hall not opted to tax
If the Town Hall is opted: begin charging VAT at 20% on chamber hire immediately and calculate any historic under declaration for error correction.	n/a
Before the WBC land transfer completes, establish WBC's option to tax position on all buildings and land being transferred.	Contacted WBC – awaiting response
Short Term	
Obtain the proposed ambulatory licence terms for VAT review before any licence is granted.	Will do in due course
Review all sponsorship arrangements and confirm whether any commercial benefit passes to sponsors. If so, begin charging VAT at 20%.	Done – invoice to be updated going forward
Provide trust documentation and licence terms for the charitable trust land — we will advise on the licence fee VAT treatment on receipt.	None available, Mulberry informed
Decide whether to exercise an option to tax on any buildings transferred from WBC, before the first supply is made.	Will need further assistance
On Commencement of New Activities	
Adopt non-business treatment for pitch hire consistent with HMRC Brief 3/2023 and establish written serial booking agreements for regular hirers.	Will need further assistance
Update the partial exemption model with actual income and input VAT figures at the end of the first full VAT year.	Will need further assistance
Apply correct VAT treatment to all lease rentals: exempt (default), standard-rated (if opted), and always exempt for any residential element	Will need further assistance

To summarise the priority actions arising from your responses:	
Immediate: Raise the VAT due diligence questions with your solicitors in connection with the WBC transfer, using the question list set out above.	Done – awaiting response
Immediate: Correct the VAT position on roundabout sponsorship — calculate historic underdeclared output tax and begin charging VAT at 20% going forward	Done
Before transfer completes: Decide whether to exercise an option to tax on any buildings transferred from WBC, informed by the answers received from solicitors.	Will need further assistance
Ongoing: Do not enter into any lease, licence or letting arrangement in respect of the transferred assets until the VAT treatment of each has been confirmed.	Will need further assistance

HASLEMERE TOWN COUNCIL

VAT Review — Income Streams: Existing and Proposed

Prepared by: Mark Mulberry | Date: 20 February 2026 | Status: Draft for Review

1. Executive Summary

This report sets out the VAT treatment of Haslemere Town Council's existing and proposed income streams. It has been prepared in response to the Council's request for a review of whether VAT is being charged and reclaimed correctly across all activities, including those arising from the proposed transfer of land and buildings from Waverley Borough Council.

Our overall findings are as follows. Of the four existing income streams identified, two require correction and two require further investigation before a definitive position can be confirmed. The proposed income streams arising from the land transfer present a range of different VAT treatments and will require careful management, particularly in relation to the option to tax position on any buildings transferred.

A summary of findings is set out at Section 2. Detailed analysis of each income stream follows in Sections 3 and 4.

2. Summary of Findings

2.1 Existing Income Streams

Supply	Correct VAT Treatment	Current Practice	Correct?	Action Required
Chamber hire	Exempt (no OTT) or Standard-rated (if OTT applies)	No VAT charged	REVIEW	Confirm whether an option to tax exists on the Town Hall. If opted, correct immediately.
Land hire	Exempt (no OTT on land)	No VAT charged	YES	No change required — confirm no OTT exists on the land.
Licence fee (charitable trust land)	Exempt or Outside Scope	No VAT charged	REVIEW	Confirm nature of supply and whether trust land is opted. See Section 3.3.
Sponsorship	Outside Scope (no supply made)	No VAT charged	YES	No change required — document the sponsorship basis.

2.2 Proposed Income Streams (Post Land Transfer)

Supply	Correct VAT Treatment	Current Practice	Correct?	Action Required
Pitch hire (sports pitches)	Non-business (post HMRC Brief 3/2023) or Exempt if serial bookings	Not yet active	N/A	Adopt non-business treatment on commencement. Document serial booking arrangements formally.
Rent under leases	Exempt (default) or Standard-rated (if OTT exercised)	Not yet active	N/A	Decide whether to opt to tax transferred buildings before first supply is made.
Ambulatory licence	Exempt or Standard-rated	Not yet active	N/A	Confirm scope and nature. If over land, likely exempt.

Supply	Correct VAT Treatment	Current Practice	Correct?	Action Required
				If over building, check OTT. See Section 4.3.

3. Existing Income Streams — Detailed Analysis

3.1 Chamber Hire

Nature of the supply

The hire of the Council chamber is a supply of a right to occupy land, which falls within the general exemption for supplies of land under VATA 1994, Schedule 9, Group 1. In the absence of an option to tax on the building, the hire is exempt from VAT and no output tax is chargeable.

The option to tax question

The critical issue here is whether an option to tax has been exercised over the Town Hall. An option to tax converts what would otherwise be an exempt supply into a standard-rated one. If the Council has opted to tax the Town Hall — whether recently or historically — all supplies of that building, including chamber hire, must be standard-rated at 20%.

We are not aware from the information provided whether the Town Hall is currently opted. The Council must check its records and, if in any doubt, contact HMRC's Option to Tax National Unit (Glasgow) to confirm the position. HMRC maintains a register of all opted properties against the taxpayer's VAT number.

Implications if not opted

If the building is not opted to tax, chamber hire is exempt. No VAT is due and the current practice of not charging VAT is correct. However, the Council should be aware that input VAT on running costs attributable to the chamber — electricity (4014), cleaning (4028), water (4030) and maintenance (4036, 4046) — will be irrecoverable as exempt input tax.

Implications if opted

If an option to tax exists, VAT at 20% must be charged on all chamber hire fees. Failure to do so represents an under declaration of output tax which must be corrected.

The charity exception

A separate consideration arises where chamber hirers include charities. An option to tax is automatically disapplied where a hirer intends to use the premises solely for a relevant charitable purpose (Schedule 10, paragraph 12 VATA 1994). The Council should obtain a written certificate from any charity hirer confirming this before treating such a letting as exempt notwithstanding the option. This protects the Council if HMRC later challenges the treatment.

Action Required: Confirm whether an option to tax exists on the Town Hall before the next hire invoice is raised. If opted: begin charging VAT at 20% and correct any historic under declaration. If not opted: no change required but document the position.

3.2 Land Hire

Nature of the supply

The hire of land — whether for events, grazing, access or other purposes — is a supply of land or an interest in land within VATA 1994, Schedule 9, Group 1. The default treatment is exempt from VAT.

Current practice

The Council is not currently charging VAT on land hire. Provided no option to tax has been exercised over the relevant land, this is correct. The exemption applies to bare land (as opposed to buildings) and cannot generally be overridden without a formal option to tax notification to HMRC.

Can land be opted to tax?

Yes — an option to tax can be exercised over land as well as buildings. However, opting bare land requires a positive commercial reason to do so, since it has the effect of making all future supplies of that land standard-rated and potentially deterring hirers who cannot recover the VAT. For a local authority, the circumstances in which opting bare land would be advantageous are limited.

Serial booking / sports pitch exception

Where land hire relates to sports or recreational use, additional considerations apply. The serial bookings exemption under VATA 1994, Schedule 9, Group 1, Note 16(m) may be relevant: a series of ten or more sessions of sports facility use, booked by the same person at intervals of between one and fourteen days under a written agreement, qualifies as exempt regardless of any option to tax. This is discussed further at Section 4.1 in the context of the proposed pitch hire income.

Current treatment: CORRECT No VAT is correctly being charged on land hire in the absence of an option to tax. Confirm no OTT has been exercised over any of the relevant land parcels.

3.3 Licence Fee — Land Owned by a Charitable Trust

The specific complexity here

This is the most legally nuanced of the existing income streams. Where the Council receives a licence fee in respect of land owned by a charitable trust, the VAT treatment depends on several factors that need to be established from the facts:

- Who is making the supply? If the licence fee is paid to the Council in its capacity as sole managing trustee of the charitable trust, the supply is made by the trust, not the Council in its own right. Under Section 33 VATA 1994 and HMRC's treatment of sole managing trustees, the Council may be treated as acting on behalf of the trust for VAT purposes — but this depends on the trust documentation establishing the Council as sole managing trustee.
- Is the land opted to tax? If the trust (or the Council acting as trustee) has exercised an option to tax over the land or buildings, the licence fee will be standard-rated. If not, it will be exempt.
- What is the nature of the licence? A purely passive licence to occupy land is likely to be an exempt supply of land. However, if the licence involves significant additional services — management, maintenance, facilitation — it may be characterised as a composite supply which takes a different VAT treatment.

The option to tax and charitable trusts

It is worth noting that where land is held by a charitable trust and used for charitable purposes, the option to tax is subject to the disapplication rules under Schedule 10, paragraphs 12-16 VATA 1994. If the land is used (or is to be used) by the trust for a relevant charitable purpose, the option to tax will be disapplied and the supply will revert to exempt regardless of any election made.

Current practice

The Council is not currently charging VAT on the licence fee. This may be correct — if the supply is exempt or outside scope.

Action Required: Provide trust documentation and a description of the licence arrangement. We need to establish: (1) whether the Council is acting as sole managing trustee; (2) whether any option to tax exists over the land; and (3) the precise nature of the licence.

3.4 Sponsorship Income

VAT treatment of sponsorship

The VAT treatment of sponsorship depends critically on what, if anything, the Council provides in return for the sponsorship payment. There are two possible analyses:

- Outside the scope of VAT: If the payment is a pure donation with no supply made in return — the sponsor receives nothing of commercial value — the payment is outside the scope of VAT entirely. No output tax is due and the Council is correct not to charge VAT.
- Standard-rated supply of advertising services: If the Council provides something in return for the sponsorship — for example, the right to display the sponsor's logo on Council materials, name

acknowledgement at events, advertising space in the newsletter or on noticeboards — a supply of advertising services is being made. Advertising is standard-rated at 20% and output tax would be due on the sponsorship payment.

HMRC's approach

HMRC examines the substance of sponsorship arrangements carefully. The mere labelling of a payment as 'sponsorship' or 'donation' does not determine its VAT treatment. Where any commercial benefit flows to the sponsor — even relatively modest acknowledgement — HMRC is likely to treat the arrangement as a supply of advertising services.

The current I&E shows roundabout sponsorship income (1004) of £2,000 year to date. The Council should review what the sponsors receive in return for this payment. If name acknowledgement, signage or publicity is provided, VAT at 20% may be due.

Current practice

No VAT is currently being charged on sponsorship income. This is correct only if the payments are truly gratuitous with no supply in return. If any commercial benefit passes to sponsors, this requires correction.

Action Required: Review the terms of all sponsorship arrangements. If sponsors receive any form of acknowledgement, advertising or publicity benefit, VAT at 20% should be charged. Document the basis of each arrangement.

4. Proposed Income Streams — Land & Buildings Transfer from WBC

The proposed transfer of land and buildings from Waverley Borough Council (WBC) to Haslemere Town Council presents several new income streams, each with distinct VAT treatment. The VAT position on any buildings transferred will be heavily influenced by whether WBC has exercised an option to tax over those assets — if so, the option may transfer to the Council. This must be investigated before the transfer completes.

Action Required: Before the transfer completes, the Council must establish whether WBC has exercised any option to tax over the land or buildings being transferred. Contact WBC's finance team and HMRC's Option to Tax National Unit. The VAT treatment of all proposed income streams may depend on the answer.

4.1 Pitch Hire — Sports and Recreational Facilities

Background — the post-Chelmsford position

The VAT treatment of sports pitch hire by local authorities was substantially clarified following the decisions in Chelmsford City Council and Mid-Ulster District Council, and HMRC's subsequent Revenue & Customs Brief 3/2023. HMRC's current position, confirmed in that Brief, is that local authorities providing leisure and sports facilities in the exercise of their statutory functions are acting as public authorities in conditions not applicable to private operators, such that the activity is non-business under Section 41A VATA 1994.

On this basis, pitch hire income received by a local authority in its capacity as a public authority is outside the scope of VAT entirely. No output tax is due, and input VAT on associated costs (maintenance, groundskeeping, equipment) is recoverable under Section 33 VATA 1994 without any partial exemption restriction.

The serial bookings exemption — an additional protection

Even where a pitch hire might otherwise be characterised as a business supply, the serial bookings exemption under VATA 1994, Schedule 9, Group 1, Note 16(m) provides a separate route to exempt treatment. The conditions are:

- A series of ten or more sessions of use of a sports facility;
- Each session is of the same sport or activity;
- Each session is at the same location;
- The interval between sessions is not less than one day and not more than fourteen days;
- The hirer has exclusive use of the facility;

- The series is booked and paid for under a written agreement.

Where these conditions are met, the supply is exempt regardless of any option to tax on the building or land. The Council should ensure that regular pitch bookings are documented in written agreements meeting these requirements.

Recommended approach

On commencement of pitch hire activities, the Council should adopt the non-business treatment as its primary position, consistent with HMRC Brief 3/2023. This should be documented. For regular hirers, written serial booking agreements should be put in place as a further safeguard.

Action Required: Adopt non-business treatment on pitch hire consistent with HMRC Brief 3/2023. Establish written serial booking agreements for regular hirers meeting the Note 16(m) conditions. Recover input VAT on pitch maintenance under s.33 without PE restriction.

4.2 Rent Under Leases

The default position

The grant of a lease of land or buildings is a supply of land and is exempt from VAT under VATA 1994, Schedule 9, Group 1. In the absence of an option to tax, all rental income from leased properties will be exempt. Input VAT on costs attributable to those exempt lettings will be irrecoverable, subject to the partial exemption insignificance test.

The option to tax decision

For income-generating leased properties, the Council will need to make a considered decision on whether to exercise an option to tax. The option converts exempt rental income to standard-rated income, which has two consequences: VAT at 20% becomes chargeable on the rent (and must be collected from tenants), but input VAT on the property's running costs and any capital expenditure becomes recoverable.

The economics of opting to tax a leased property therefore depend on whether the tenants can recover the VAT charged and whether the resulting input tax recovery is worth the administrative burden and any commercial impact on the letting terms. For commercial tenants who are themselves VAT registered, the option is often commercially neutral. For residential tenants, charities, or other exempt bodies, VAT cannot be recovered and the option to tax would represent an additional irrecoverable cost.

Residential lettings

It is important to note that the option to tax can never apply to residential property. VATA 1994, Schedule 10, paragraph 12 expressly disapplies the option in relation to dwellings. Any residential flat or dwelling included in the transferred assets must always be let exempt, regardless of any option to tax that might exist over the wider building. This mirrors the point made in our Bridport advisory letter regarding the residential flat issue.

WBC's existing option to tax

If WBC has opted to tax any of the buildings being transferred, the Council will need to decide whether to continue or revoke that option. Revoking an option to tax is possible but subject to conditions — in particular, the option cannot generally be revoked within the first six months, and after twenty years a further election is required. The Council should take specific advice on this once WBC's option to tax position is confirmed.

Action Required: Before the transfer completes: (1) confirm WBC's OTT position on all buildings; (2) decide whether to opt to tax income-generating buildings; (3) ensure any residential lettings are never opted. Notify HMRC via VAT1614A before making the first supply from any opted property.

4.3 Ambulatory Licence

What is an ambulatory licence?

An ambulatory licence in the context of land and property is a right of access or use that is not fixed to a specific location — it permits the licensee to use land or facilities across a wider area rather than a defined plot. The term is used in outdoor and recreational contexts where the right of use 'travels' with the person exercising it rather than being tied to a single identifiable parcel of land.

VAT treatment

The VAT treatment of an ambulatory licence depends on whether it constitutes a supply of land within VATA 1994, Schedule 9, Group 1. HMRC's approach is to look at the substance of what is being granted:

- If the licence is essentially a right to occupy or use a defined area of land (even if that area is large or varies), it is likely to be treated as a supply of land and will be exempt in the absence of an option to tax.
- If the licence is better characterised as a permission to undertake an activity — for example, fishing rights, shooting rights, or rights of way — the analysis becomes more complex. Some such rights are treated as exempt supplies of land; others may be treated as standard-rated supplies of services.
- If the licence involves significant facilitation or management by the Council alongside the right of access, there is a risk that HMRC characterises the overall supply as a composite standard-rated service rather than a passive supply of land.

The non-business question

As with pitch hire, if the ambulatory licence is granted in the exercise of the Council's statutory public functions — for example, a licence to access and use public open space or recreational land held as part of the Council's statutory duties — there is an argument that the income is non-business under Section 41A and outside the scope of VAT entirely. This would need to be assessed on the specific facts of the licence.

Practical recommendation

Given the variety of ways in which an ambulatory licence can be structured, we recommend the Council provides us with the proposed licence terms so that we can assess the precise VAT treatment before the first supply is made. Getting this right at the outset is important: if VAT is not charged when it should be, output tax will need to be accounted for regardless of whether it has been collected from the licensee.

> **Action Required:** Provide the proposed ambulatory licence terms for review before the first licence is granted. The VAT treatment depends on the substance of the right being granted and whether the activity is non-business. Do not issue any licence invoices until the VAT treatment has been confirmed.

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5. Input Tax Recovery and Partial Exemption

The mix of taxable, exempt and non-business activities across Haslemere Town Council's income streams means that the Council's input tax recovery position will require careful management. We have already prepared a partial exemption model based on the Council's cost centre structure, and the income stream analysis in this report directly informs how that model should be populated.

The key points for the Council to note are as follows.

5.1 Non-Business Activities — Section 33 Recovery

Input VAT incurred on non-business activities — including pitch hire (post-Brief 3/2023), allotments, open spaces, civic functions, and any ambulatory licence treated as non-business — is recoverable in full under Section 33 VATA 1994 without any partial exemption restriction. This is a significant benefit of the local authority regime and should be maximised where the non-business classification is properly supportable.

5.2 Exempt Activities — Partial Exemption Restriction

Input VAT attributable to exempt supplies — principally chamber hire and rental income from un-opted buildings — cannot be recovered and is subject to the partial exemption restriction. The annual insignificance test (£7,500 or 5% of total input tax, whichever is lower) must be applied at the end of each VAT year (31 March). If the exempt input tax passes both thresholds, all input tax may be treated as recoverable. If either threshold is exceeded, the exempt portion must be repaid.

5.3 The Option to Tax — The Recovery Lever

The most powerful tool available to the Council to improve its input tax recovery position is the option to tax. By opting income-generating buildings, the Council converts exempt income to taxable income, unlocking the input VAT on all associated costs. The trade-off is the obligation to charge VAT on the supply and the potential commercial impact on tenants or hirers who cannot recover it.

For the Town Hall specifically, the decision on whether to opt is a key one: if the building generates significant hire income from VAT-registered commercial hirers, the option may be beneficial. If the hirers are predominantly charities, residents or other non-registered bodies, the option would increase their irrecoverable costs and may reduce demand.

5.4 Timing of the Option to Tax

If the Council decides to opt to tax any building — whether the Town Hall or any building transferred from WBC — the option must be notified to HMRC before the first standard-rated supply is made from that building. Notification is made by completing Form VAT1614A and sending it to HMRC's Option to Tax National Unit in Glasgow. The option is effective from the date specified in the notification, which can be the date of notification or a future date.

6. Summary of Recommended Actions

The following actions are recommended, in priority order:

Immediate

1. Confirm whether an option to tax exists on the Town Hall — contact HMRC's Option to Tax National Unit if records are unclear.
2. If the Town Hall is opted: begin charging VAT at 20% on chamber hire immediately and calculate any historic underdeclaration for error correction.
3. Before the WBC land transfer completes, establish WBC's option to tax position on all buildings and land being transferred.

Short Term

4. Review all sponsorship arrangements and confirm whether any commercial benefit passes to sponsors. If so, begin charging VAT at 20%.
5. Provide trust documentation and licence terms for the charitable trust land — we will advise on the licence fee VAT treatment on receipt.
6. Decide whether to exercise an option to tax on any buildings transferred from WBC, before the first supply is made.
7. Obtain the proposed ambulatory licence terms for VAT review before any licence is granted.

On Commencement of New Activities

8. Adopt non-business treatment for pitch hire consistent with HMRC Brief 3/2023 and establish written serial booking agreements for regular hirers.
9. Apply correct VAT treatment to all lease rentals: exempt (default), standard-rated (if opted), and always exempt for any residential element.
10. Update the partial exemption model with actual income and input VAT figures at the end of the first full VAT year.

PART 2: Follow-Up Advisory — Responses to Due Diligence Questions

Re: VAT Review — Follow-Up to Our Four Questions

Thank you for your prompt and helpful replies to the four questions we raised following our VAT review report. I have considered each of your responses carefully, together with the minutes of the Village Green at Shottermill Trust meeting of 5 February 2026 which you provided. My observations on each matter are set out below, along with a list of questions for your solicitors in connection with the proposed transfer from Waverley Borough Council.

Response to Question 1: Option to Tax — WBC Transfer & Solicitors' Questions

Your response

You have confirmed that the transfer of land and buildings from Waverley Borough Council has only very recently been agreed and that solicitors are now being instructed. You have asked whether, if any of the buildings transferred are currently opted to tax by WBC, the Council can subsequently revoke that option.

Can an option to tax be revoked?

Yes, but the ability to revoke depends critically on when the original option was made and whether standard-rated supplies have been made under it. There are three scenarios:

- Within six months of the option being made: The opter has an unconditional right to revoke the option during the first six months, provided no standard-rated supplies have yet been made from the property (Schedule 10, paragraph 23 VATA 1994). This is known as the 'cooling off' period.
- After six months but within twenty years: Revocation is only possible with HMRC's written permission, which is granted only where the option has never had practical effect — in other words, where no standard-rated supplies have ever been made under it. If WBC has been charging VAT on rents or other supplies from any of the buildings, revocation will not be available.
- After twenty years: An automatic right to revoke arises again. Given that WBC is a long-established local authority, some of its options may be approaching or have passed the twenty-year mark — this should be checked.

In practical terms, if WBC has opted any buildings and has been charging VAT on rents or other income from them, the Council is likely to inherit an option that cannot easily be revoked. The decision on whether this is commercially desirable — and whether to continue making standard-rated supplies or to seek HMRC permission to revoke — needs to be made before the transfer completes, not after.

Questions for your solicitors — WBC transfer

We have prepared the following questions which we recommend are raised with your solicitors and, through them, with WBC's legal team as part of the due diligence process. These are VAT-specific questions that must be answered before the transfer completes.

#	A. Option to Tax — Existence and Scope	Why this matters (VAT)
Has WBC exercised an option to tax over any of the land or buildings being transferred? If so, please provide copies of the original VAT1614A notification forms and the HMRC acknowledgement letters for each opted property.	Determines whether the transfer itself is subject to VAT and whether future income from those buildings must be standard-rated.	
What is the effective date of each option to tax? Has each option been in place for more than six months? More than twenty years?	Affects whether revocation is possible. Options under six months can be revoked as of right; older options generally cannot unless no supplies have been made.	
Have standard-rated supplies been made under each option to	If standard-rated supplies have been made, revocation after the cooling-off period will not	

#	A. Option to Tax — Existence and Scope	Why this matters (VAT)
tax since it was exercised — for example, has WBC charged VAT on rents, licences or other income from the opted buildings?	be available regardless of the Council's wishes.	
Does the option to tax extend to all land and buildings on the relevant sites, or only to specific buildings or land parcels? Please provide the original notification documentation and any site plan supplied to HMRC.	Options to tax are property-specific — they do not automatically extend to adjoining land or separate buildings on the same site.	

#	B. VAT on the Transfer Itself	Why this matters (VAT)
Will the transfer of land and buildings from WBC to HTC be treated as a Transfer of a Going Concern (TOGC) for VAT purposes? Has WBC taken advice on this?	If TOGC conditions are met, no VAT is chargeable on the transfer itself. If not, VAT at 20% may be due on any opted properties, representing a significant cash flow cost.	
For the transfer to qualify as a TOGC, HTC must itself opt to tax any buildings on which WBC has an option before the transfer completes. Is HTC required to do so under the transfer agreement, and what is the deadline for notifying HMRC?	Failure to opt before the transfer date could mean TOGC treatment is lost and WBC must charge VAT on the transfer.	
Are any of the buildings or land parcels being transferred subject to a Capital Items Scheme adjustment period? If so, what adjustments remain outstanding and will they transfer to HTC?	Capital items (land/buildings over £250,000, computer equipment over £50,000) have a ten-year adjustment period. Uncompleted adjustments may transfer to HTC with the asset.	

#	C. Existing Tenants and Leases	Why this matters (VAT)
Are any of the buildings or land parcels being transferred currently subject to leases or licences? If so, please provide copies of all current leases and licences, noting whether VAT has been charged on the rents or fees.	HTC will step into WBC's position as landlord. If WBC has been charging VAT, HTC must continue to do so (or seek to revoke the option).	
Do any existing leases contain VAT protection clauses for tenants — for example, clauses permitting a tenant to terminate if VAT is introduced on the rent?	These clauses affect the commercial viability of any decision to opt to tax after the transfer.	
Are any of the current tenants charities, residential occupiers or other exempt bodies? If so, what is the nature of their use?	The option to tax is disapplied for charitable use and cannot apply to dwellings. Knowing the tenant mix is essential to the OTT decision.	

#	D. Pitch Hire and Recreational Land	Why this matters (VAT)
Which of the land parcels being transferred are currently used or intended to be used for sports pitch hire or other recreational purposes?	Pitch hire by local authorities is non-business following HMRC Brief 3/2023. Identifying which land falls into this category affects input VAT recovery.	
Are there any existing agreements with sports clubs or other organisations for regular use of pitches or recreational land? If so, please provide copies.	Regular users may need formal written serial booking agreements to qualify for the serial bookings VAT exemption under Schedule 9, Group 1, Note 16(m).	

#	E. Ambulatory Licence	Why this matters (VAT)
What are the precise terms of the proposed ambulatory licence — over which land does it apply, who is the licensee, what is the nature of the right granted and what is the annual fee?	The VAT treatment of an ambulatory licence depends entirely on the substance of the right being granted. We cannot advise until we have seen the licence terms.	
Is the ambulatory licence a new arrangement or is it being transferred from WBC? If transferred, has VAT been charged on the licence fee by WBC?	Determines whether HTC will be continuing an existing supply or establishing a new one, and what the historic VAT treatment has been.	

Immediate Action Required: These questions should be raised with your solicitors as a matter of priority and before the transfer agreement is finalised. Some of the answers — particularly on the TOGC point and the option to tax revocation — may affect the terms of the transfer itself.

Response to Question 2: WBC Option to Tax Position

Your response

You have confirmed that the Council does not know WBC's option to tax position and have asked whether this is something the solicitors should check.

Our advice

Yes — this is an essential due diligence point and the solicitors must be asked to establish it as part of the conveyancing process. We would go further and say it is one of the most important VAT questions in connection with the entire transfer.

WBC's option to tax position affects the following matters, all of which have been addressed in the solicitors' question list above:

- Whether the transfer itself is subject to VAT — and whether TOGC treatment is available.
- Whether HTC must opt to tax the buildings before transfer to preserve TOGC treatment.
- Whether future income from the buildings (rents, licences, hire fees) must be standard-rated.
- Whether revocation of any inherited option is possible at all.
- Whether existing tenants have been paying VAT and what their lease terms say about it.

It is worth noting that WBC, as a larger local authority, is likely to have a more complex VAT history than a town council, and it is entirely possible that options to tax on various assets have been exercised over many years. The Council should not assume that the absence of obvious VAT charges on income means that no option exists — options are sometimes exercised in anticipation of future supplies or capital works and may not be immediately apparent from the income account.

Action Required: Instruct your solicitors explicitly to make WBC's option to tax position a specific due diligence requirement. They should obtain copies of all VAT1614A forms and HMRC acknowledgements for every property being transferred.

Response to Question 3: Sponsorship Income — Roundabout Advertising

Your response

You have confirmed that sponsors place a small advertisement notice on the roundabout and pay for its maintenance, and that the Council receives an annual fee in return.

VAT analysis — this is a standard-rated supply

On the basis of the information provided, the roundabout sponsorship arrangement is a standard-rated supply of advertising services, not an outside-scope donation. The sponsors receive a commercial benefit — specifically, the right to display their advertisement on a publicly visible roundabout. This is advertising, and advertising is standard-rated at 20% under the general VAT rules.

The fact that the sponsors also pay for the maintenance of the roundabout does not change this analysis. HMRC examines the substance of what is received in return for a payment. Here, the substance is clear: payment is made, and in return the sponsor receives advertising space and the maintenance obligation is discharged. Both elements of the consideration flow to the sponsor's benefit.

HMRC's guidance on the distinction between donations (outside scope) and supplies (taxable) is well established. The key test is whether there is a direct link between the payment and a supply made to the payer. Where an advertisement or acknowledgement notice is displayed in return for payment — even a small one — HMRC will treat this as a supply of advertising services. The size or modesty of the advertisement is irrelevant to the VAT treatment.

Correcting the historic position

VAT at 20% should have been charged on the annual sponsorship fee from the date the arrangement commenced. The Council will need to:

11. Calculate the VAT that should have been charged on all sponsorship income received to date (the fee divided by 6 to extract the VAT element if the fee was VAT-inclusive, or multiplied by 20% if it was VAT-exclusive);
12. Determine whether the sponsor was quoted a VAT-inclusive or VAT-exclusive fee — this affects whether the Council can recover the VAT from the sponsor or must absorb it;
13. Make an error correction on the next VAT return for the underdeclared output tax;
14. Issue VAT invoices to the sponsors going forward and ensure the contract is updated to reflect the VAT position.

If the sponsorship fee was agreed on a VAT-exclusive basis (i.e. the fee was stated without reference to VAT), the Council is entitled to add VAT on top and recover it from the sponsor. If it was agreed as an all-inclusive sum, the VAT element must be extracted from the agreed fee and the Council bears the shortfall.

Immediate Action Required: Sponsorship income is standard-rated — VAT at 20% must be charged. Calculate and correct historic underdeclared output tax. Issue VAT invoices going forward. Review the contractual basis to determine whether VAT can be recovered from the sponsors.

Response to Question 4: Lion Green — Village Green at Shottermill Trust

Your response and the minutes

You have confirmed that the trust does not provide a charitable exemption certificate and that the land is let out for the benefit of the local community, with income paid to the trust. You have provided the minutes of the trust's meeting of 5 February 2026, which are very informative.

What the minutes reveal

The minutes of the Village Green at Shottermill Trust meeting establish the following structure, which was formally resolved by the trustees:

- Haslemere Town Council is authorised to manage and pay for the grounds maintenance of Lion Green.
- Haslemere Town Council is authorised to manage and set charges for the letting of Lion Green.
- All letting income is to be paid into the charity's bank account.
- The charity donates all letting income back to Haslemere Town Council as a contribution towards its grounds maintenance expenditure.

This is an important and carefully structured arrangement, but it raises several VAT questions that require analysis.

Who is making the letting supply?

The Council manages the lettings and sets the charges. If the Council is entering into letting agreements in its own name and issuing invoices or receipts to hirers, it is the supplier for VAT purposes — the fact that the income is then passed to the charity does not alter who has made the supply. On this analysis, the letting income (however modest) is a supply made by the Council and falls to be assessed for VAT in the Council's hands.

The letting of Lion Green is a supply of land within VATA 1994, Schedule 9, Group 1. In the absence of an option to tax over this land, the lettings are exempt from VAT. There is no indication that an option to tax has been exercised, and the Council is correctly not charging VAT on this income.

The trust structure — is the Council a sole managing trustee?

The minutes show that the trustees include a number of councillors and that the meeting was clerked by the Deputy Town Clerk. This is consistent with the Council acting as the sole managing trustee of the charity

It can recover VAT on expenditure incurred for the trust under Section 33 VATA 1994, treating the trust's expenditure as its own. This would include the grounds maintenance costs paid on Lion Green (CC204 — grounds maintenance at 4037). This is a useful VAT recovery mechanism and should be formalised if the sole managing trustee status is confirmed.

The 'donation back' — is it a supply?

The resolution in the minutes provides for the charity to donate all letting income back to the Council as a contribution towards grounds maintenance. This circular flow — income out to the charity, then back as a donation — does not in itself create a VAT supply, provided the donation back is genuinely gratuitous and the Council is not contractually obliged to provide any specific service to the charity in return for it.

However, the arrangement is close to a management fee structure, and if HMRC were to characterise the donation as consideration for the Council's management and grounds maintenance services provided to the trust, those services could be treated as a standard-rated supply by the Council to the charity. We do not consider this risk to be high given the clear charitable and community basis of the arrangement, but the documentation should make clear that the donation is voluntary and not contractually linked to the maintenance obligation.

No charitable exemption certificate

You have confirmed that the trust does not issue a charitable exemption certificate in connection with its use of Lion Green. In the context of the VAT analysis, this means:

- We cannot rely on the Schedule 10, paragraph 12 disapplication of any option to tax — but this is academic since no option to tax appears to exist over Lion Green in any event.
- If the Council were ever to consider opting to tax Lion Green, it would need a certificate from the trust confirming relevant charitable use before treating any letting to the trust as exempt notwithstanding the option. Without a certificate, the option would bite and VAT would be chargeable.

Summary of Lion Green VAT position

On the basis of the information available, the current VAT treatment of Lion Green appears to be correct: the lettings are exempt (no OTT, no business supply requiring standard-rating), and no VAT is chargeable. The donation back from the trust is outside scope. The grounds maintenance costs paid by the Council are recoverable under Section 33 VATA 1994 as non-business expenditure on a statutory open space function.

The position should be formally documented, including confirmation of the Council's sole managing trustee status and a clear record that the donation from the charity to the Council is voluntary and unconditional.

Action Required: Obtain the trust's constitutional documents (trust deed or scheme) to confirm whether HTC is the sole managing trustee. Ensure the 'donation back' arrangement is documented as voluntary and not contractually linked to the maintenance obligation. No change to current VAT treatment is required.

Next Steps

To summarise the priority actions arising from your responses:

- Immediate: Raise the VAT due diligence questions with your solicitors in connection with the WBC transfer, using the question list set out above.
- Immediate: Correct the VAT position on roundabout sponsorship — calculate historic underdeclared output tax and begin charging VAT at 20% going forward.
- Before transfer completes: Decide whether to exercise an option to tax on any buildings transferred from WBC, informed by the answers received from solicitors.
- Ongoing: Do not enter into any lease, licence or letting arrangement in respect of the transferred assets until the VAT treatment of each has been confirmed.

Please do not hesitate to contact me if you wish to discuss any of the matters raised in this letter