

VAT & TAX GUIDANCE

Community Broadband Scotland

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INTRODUCTION

There are a number of Tax and VAT implications which communities should consider when planning a community broadband project. We have outlined some of the key issues below which are relevant to community broadband projects.

These are complex areas and we encourage organisations to seek further advice before making decisions.

NON-DOMESTIC RATES

Business rates (also called non-domestic rates) are a tax on business property. This tax also applies to infrastructure and may include broadband infrastructure owned by communities.

The amount an organisation will have to pay depends on calculations that are based on the rateable value of the 'property' multiplied by a nationally set 'Poundage'. This is currently 48p but could be reassessed.

What the rateable value of broadband infrastructure will be is currently hard to define as there are few examples in Scotland and the system is designed for property and based on an estimated open market rental value.

However, there are a number of rates reliefs available which communities could access:

- [Small Business](#) – Relief up to 100% for those with RV less than £10,000 and sliding scale of relief up to £18,000
- [Rural](#) - 50% mandatory up to 100% discretionary relief for properties in designated rural communities of less than 3000 people
- [Charitable](#) – 80% mandatory if used for charitable purposes, local authorities have discretion to top-up to 100%
- Some Local Authorities also provide relief to non-profit organisations that are not charities. However, these are entirely discretionary.

CORPORATION TAX

Community Broadband projects that are charities shouldn't be subject to corporation tax as long as it is primary purpose trading it. Primary purpose trading is trading which fulfils charitable objectives.

OSCR's [latest guidance](#) on the charity test sets out the type of activities which are deemed to be charitable. One of these charitable purposes is 'the advancement of citizenship or community development' and the guidance clarifies that "improving digital connectivity, particularly in rural areas" is an activity which would be considered a charitable purpose. This should mean that the main trading of community broadband organisations wouldn't be subject to restriction.

Community Broadband projects that aren't charities could be subject to corporation tax on any surpluses they make.

There is an option for community projects that aren't charities to Gift Aid up to 100% of their surpluses to a local charity (potentially one of the bodies involved in the project) and they would not then pay corporation tax on those surpluses.

VAT

Charities and other not-for-profit organisations are generally subject to the same VAT rules as any other organisation. There are, however, a number of VAT reliefs and exemptions available specifically for charities.

Although charities can access zero VAT rates on certain goods and services, most are unlikely to be useful for community broadband projects

It may be possible for community broadband projects to claim back VAT on the capital costs of the projects, whether they are a charity or not.

All organisations must register for VAT if their VAT taxable turnover (the total value of everything sold that isn't exempt from VAT) is more than £83,000.

Organisations can choose to register if turnover is below this level, e.g. to reclaim VAT on supplies.

VAT is a complex tax and each community should seek specialist advice on their situation before making any decisions.

ADDITIONAL ADVICE

- The Scottish Council for Voluntary Organisations (SCVO) has a VAT and Tax [helpline](#) for their members, which offers an hour of free advice to organisations with an income of less than £500,000. You can also access [information pages](#) on Tax and VAT.
- The Development Trusts Association (DTAS) has produced [guidance](#) on VAT which explains how the system works and the implications for third sector organisations.
- The Scottish Government has produced this [guidance](#) on Non-Domestic rates.
- The UK Government has produced this [guidance](#) on Corporation Tax