

When is a CD-ROM a book?

Books are zero rated. Most other items are standard rated. A recent tribunal case concerned a product designed to help parents to teach their children and involved a loose leaf binder of 350 pages and 24 CD-ROMs. The package was sold for £1,970 or £2,370 if the customer paid by installments.

Firstly the Tribunal had to decide whether this was one supply or two supplies i.e. a book and separate CD-ROMs. Having decided that it was one supply it then had to decide whether or not it was a zero rated book.

Customs contended that the dominant purpose of a purchaser was to obtain a computer based learning package which would be standard rated. The Tribunal said that it could not describe the product as a "children's book" as depicted in Customs guidance material, in that the CD-ROM is of equal importance to the written material, however, the alternative criteria that the CD has negligible independent use without the book was fulfilled and the product was therefore zero rated.

These book cases do leave a degree of confusion - make certain that you have taken advice on any similar situations.

Recovery of VAT on war memorials

On the sixtieth anniversary of V J Day, a new scheme was announced for UK charities which will refund the VAT costs incurred in the construction, renovation and maintenance of memorials, where these are solely for the purpose of commemorating people, events or animals; bear a commemorative inscription; and meet a public access test of a minimum of 30 hours a week.

The refund scheme will be administrated by the Department of Culture, Media and Sport alongside the existing VAT refund scheme for listed places of worship.

Sporting exemption

In Canterbury Hockey Club, the VAT tribunal found in favour of the taxpayer and held that supplies to a hockey club by its governing body are exempt.

Sports governing bodies and sports clubs affiliated to governing bodies will need to consider the impact of this decision and take appropriate advice. The decision may cause governing bodies to need to consider partial exemption, which may lead to a restriction of input tax. Sports clubs may have the opportunity to make VAT reclaims.