

**Excess charges in non-local authority car parks**  
Revenue & Customs Brief 57/08 VAT

Revenue & Customs Brief 57/08 explains HMRC's revised policy on VAT on excess charges and other penalties levied in non-local authority car parks. Following the *Bristol City Council* case HMRC accepted that excess charges in local authority car parks were outside the scope of VAT. However this treatment was only in respect of local authorities.

HMRC have reconsidered their policy, accepting the Bristol City Council decision was based on the contractual relationship between operator and customer and therefore the VAT treatment of excess charges should be the same for all operators. Therefore, certain excess charges made by non local authority operators which were previously considered to be further consideration for a taxable supply of parking are now regarded as outside the scope of VAT.

The penalty charges that will no longer be subject to VAT are those that are levied where a driver is in breach of the terms of the contract with the car park operator. The most common situations where a driver may be in breach of the contract are:

- no parking ticket on display
- underpayment
- overstaying purchased parking time
- returning within a specified time
- parking outside marked bays
- parking in bays set aside for disabled drivers or parents with children

*Parking operators should review their contractual terms to make sure that they benefit from this favourable VAT treatment.*