

**Estate agent advertising costs*****TC00146 Skipton Building Society***

The Tribunal has concluded that VAT incurred by Connells estate agent (a member of the Skipton VAT group) in advertising houses for sale related only to taxable supplies of estate agency services, as long as the advert made no mention that the advertiser also offered mortgage services which would generate exempt income.

If there was no mention of the mortgage service in the advert the opportunity to arrange mortgages could not be seen as an aim of the advert but was instead a consequence of the success of the advert in attracting potential house buyers to visit the branch or web site, who might then take out a mortgage with Skipton or another lender, arranged by Connells.

The Tribunal found that this was an insufficient link to exempt supplies, thereby adopting the same approach as taken by the Tribunal in the Royal Agricultural College case, where the costs of advertising the College were found to have only an indirect link to the taxable supplies made by the College in the bar and shop to students who enrolled in response to the adverts and hence the VAT only had a direct link with exempt supplies of education, (which is the line HMRC had also adopted).

The Tribunal also concluded that the slightest mention of mortgages, even the inclusion of just the single word mortgages in a strap line, was enough to create a sufficient link to exempt supplies and make the VAT residual.

*If the advertiser mentions something he supplies he must be intending to promote that supply in the advert, even if that is not the primary purpose of the advert.*

[Click here to read the case in full.](#)

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