

Highland Council

Cultural and Leisure Arms Length Organisation
4 February 2011

TAX

DRAFT REPORT



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Private & Confidential

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4 February 2011

Dear Ian

Cultural and Leisure Arms Length Organisation (“ALO”)

I am pleased to provide the Council with our report.

As can be seen from our report, the use of the ALO will result in VAT benefits in addition to the NNDR benefits that the Council has quantified. As you will see, there are marginally improved VAT benefits where the ALO takes on responsibility for awarding grants/SDC and the Council continues to receive the SportScotland funding.

Based on the information provided, the transfer of the relevant services to the ALO should not result in any immediate Partial Exemption restriction for the Council. Indeed, a marginally beneficial impact is created.

As previously stated, it should be possible to retain a situation whereby no corporation tax will be due as a consequence of the transfer to the ALO, provided that it has charitable status. In relation to the required structure, we consider that it is likely that a Subco will be required.

We look forward to discussing this draft report with you and your colleagues.

Yours sincerely

Adrian Wood
Director

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	Page
Contents	2
■ Glossary of Terms	3
■ Introduction	4
■ Executive Summary	5
■ VAT	6
■ Corporation Tax	9
■ Appendix – VAT Calculations	12

Important notice

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Glossary of Terms

Highland Council	The Council
Arms Length Organisation	ALO
Value Added Tax	VAT
The Office of the Scottish Charities Regulator	OSCR
HM Revenue & Customs	HMRC
Subsidiary Company	Subco

This report has been prepared by KPMG LLP ("KPMG") in accordance with the agreed project scope, as set out in the Council's letter of 13 December 2010.

However, at the meeting of 17 December 2010, it was agreed that Burness LLP would not be preparing any draft documentation that would require KPMG's review from a taxation perspective. Additionally, it was agreed that Burness LLP would have all responsibility in relation to contact with OSCR and commenting on the likelihood of the ALO obtaining charitable status.

This report looks at the taxation implications of Sport, Culture, Libraries, Facilities and Youth & Adult Learning activities being transferred to an ALO, and covers the following areas:

- Calculation of the VAT impact of the activities being transferred to the ALO for the year ending 31 March 2012 (part), the year ending 31 March 2013 and the year ending 31 March 2014.
- Calculation of the impact on the Council's Partial Exemption position as a consequence of the activities in question being transferred to the ALO. As agreed, this calculation is carried out in relation to the year ending 31 March 2010, being the last full financial year.
- Advice in relation to the requirement, for corporation tax purposes, for the ALO to set up a Subco to carry out certain activities.

All advice provided in this report is based on information provided by the Council, and KPMG LLP have not verified the accuracy of such information.

VAT Impact Analysis	<ul style="list-style-type: none"> - In the event that the Council retains responsibility for awarding Grants / SDC, the approximate net VAT benefit is: £159K for the ye 31 March 2012 (part); £332K for the ye 31 March 2013 and £332K for the ye 31 March 2014. This will vary very slightly depending on the recipient of the Sport Scotland funding. - In the event that the Council transferred full responsibility for awarding Grants / SDC to the ALO, the approximate net VAT benefit is: £163K for the ye 31 March 2012 (part); £342K for the ye 31 March 2013 and £342K for the ye 31 March 2014. This will vary very slightly depending on the recipient of the Sport Scotland funding.
VAT and the Council's Partial Exemption position	<ul style="list-style-type: none"> - Based on a sample year to 31 March 2010, the transfer of the various activities will not result in the Council breaching the Partial Exemption limit. Indeed, a marginally improved impact is created. - However, this is just a snapshot and the Council should continue to monitor its position, particularly in light of any exceptional capital expenditure.
Structure	<ul style="list-style-type: none"> - Unless the ALO can overcome the accounting challenges associated with carrying out qualifying and non qualifying activities, we recommend that the ALO sets up a wholly owned Subco to carry out certain activities. - It is important that such activities carried out by Subco are profit making and are not being subsidised by the charitable ALO.

VAT Impact Analysis – The ALO

Background

Sport (Active School and Sport)

There are no significant changes in the treatment of income for this Network Team as, surprisingly, the main sources of income from sporting activities (Highlife income and admission fees) are posted to the Facilities Network Team). If prices remain the same, this will result in a minor increase in the level of income retained by the ALO as Output Tax is not payable to HMRC.

Due to the fact that some level of VAT exempt income will be received, the ALO will suffer irrecoverable VAT on costs. This is contrasted with the Council, which did not suffer any VAT restriction. However, the level of irrecoverable VAT will be reduced due to the high value of the service payment charged to the Council.

Libraries

There are no significant changes to the VAT treatment of income, although income such as Audio Visual Hire will become liable to VAT in the ALO, leading to a reduction in the income (as VAT has to be paid over to HMRC, which was not previously the case) where the charges do not increase at the stage the ALO takes over the service.

Due to the presence of some VAT exempt lettings there will be some restriction of VAT on expenditure, but this will be minimised due to the high value of the service payment charged to the Council. The Council did not previously suffer any VAT restriction.

Culture (Archives, Arts and Museums)

There are no significant changes to the VAT treatment of income, although a small VAT benefit will arise if the cultural exemption applies to admissions to shows (further work would be required to confirm this).

Due to the presence of some VAT exempt lettings and, possibly, VAT exempt admissions, there will be some restriction of VAT on expenditure, but this will be minimised due to the high value of the service payment charged to the Council. The Council did not previously suffer any VAT restriction.

Facilities (Civic Amenity, Community Centre, Facilities Officer and Leisure Centres, Managed Open Spaces and Misc))

With the exception of Leisure Centres, there are no significant changes to the VAT treatment of income, and this will contain a mixture of standard rated and VAT exempt income. However, for Leisure Centres, there will be significant changes as Highlife income and admissions income will move from being standard rated in the Council to VAT exempt in the ALO. If prices remain the same, this will result in a significant increase in the level of income retained by the ALO, as Output Tax is not payable to HMRC.

Due to the fact that significant levels of VAT exempt income will be received in relation to Leisure Centres income, the ALO will suffer a significant level of irrecoverable VAT on costs. This is contrasted with the Council, which did not suffer any VAT restriction. However, the level of irrecoverable VAT will be reduced due to the high value of the service payment charged to the Council.

Adult & Youth Learning (Adult Learning, Outdoor Facilities and Youth Work)

There are no significant changes to the VAT treatment of income.

Due to the presence of some VAT exempt income there will be some restriction of VAT on expenditure, but this will be minimised due to the high value of the service payment charged to the Council. The Council did not previously suffer any VAT restriction.

The calculations

We have carried out the calculations based on information provided by the Council.

For income, we were provided the outturn information for the year to 31 March 2010 and this information was used to calculate the level of taxable, exempt and outside the scope income. The information for this year was provided as it provided greater levels of detail than the budgeted information for the years ending 31 March 2012, 31 March 2013 and 31 March 2014. This analysis for the year ending 31 March 2010 was then applied to the income information for the years ending 31 March 2012, 31 March 2013 and 31 March 2014 in order to carry out projections in relation to the impact on the level of VAT declared in the Council compared with the ALO.

It should be noted that we have adopted a prudent approach and have carried out separate Partial Exemption calculations for each of the above Network Teams. It may be possible to carry out a single calculation post transfer, which would produce a more beneficial position, by reducing the level of irrecoverable VAT. The availability of this improved position will depend upon the accounting procedures, the value of income, the value of expenditure and the resultant value of the VAT impact.

It should also be noted that we have not sought to alter the allocation of the Lower Networks to alternative Network Teams. However, we observe that we would normally expect Leisure Centres to sit below Sport, rather than Facilities. A re-allocation may produce a different VAT position.

For the year ending 31 March 2012, based on advice from the Council, it has been assumed that the transfer to the ALO will take place on 1 October 2011

Net VAT Benefit

We have set out four alternative positions:

Option 1

The Council retains responsibility for the awarding of Grants / SDC, perhaps with the ALO taking responsibility for the administration of these. We have not made any adjustments for any additional costs or funding that may be required by the ALO. Additionally, the Council continues to receive SportScotland funding.

Option 2

The Council retains responsibility for the awarding of Grants / SDC, perhaps with the ALO taking responsibility for the administration of these. We have not made any adjustments for any additional costs or funding that may be required by the ALO. However, the ALO receives SportScotland funding.

Option 3

The ALO takes on all responsibility for the awarding of Grants / SDC. In this case, we have assumed that the level of additional financial support required by the ALO will be equal to the value of the Grants / SDC payments. However, the Council continues to receive SportScotland funding.

Option 4

The ALO takes on all responsibility for the awarding of Grants / SDC. In this case, we have assumed that the level of additional financial support required by the ALO will be equal to the value of the Grants / SDC payments. Additionally, the ALO receives SportScotland funding.

Position	Net VAT Benefit 31 March 2012	Net VAT Benefit 31 March 2013	Net VAT Benefit 31 March 2014
1	£159,265	£332,777	£332,777
2	£159,082	£332,392	£332,392
3	£163,584	£342,440	£342,440
4	£163,442	£342,440	£342,440

VAT Impact Analysis – The Council

Background

As the Council currently carries out taxable, VAT exempt and non-business activities in relation to the above Network Teams, the income and expenditure would have historically been relevant in relation to the Council calculating its Partial Exemption position.

In simple terms, if the VAT incurred by the Council that is utilised to make VAT exempt supplies is less than 5% of the total VAT incurred by the Council, it does not suffer a VAT restriction. However, where this limit is exceeded, the Council would suffer a restriction of all of the VAT incurred in relation to making VAT exempt supplies, not just the VAT in excess of the 5% limit.

As a result of the ALO taking over the activities previously undertaken by the Network Teams, there will be a variation in the level of VAT incurred by the Council in respect of third party supplies; the Council will no longer make any supplies in respect of the transferred activities, including VAT exempt supplies; and the Council will incur a significant level of VAT for the first time, in respect of the service payments to be charged by the ALO to the Council.

The calculations

We have carried out the calculation based on the figures provided by the Council in relation to the year ending 31 March 2010.

Partial Exemption %age pre transfer	2.40%
Partial Exemption %age post transfer Option 1	2.04%
Partial Exemption %age post transfer Option 2	2.05%
Partial Exemption %age post transfer Option 3	2.02%
Partial Exemption %age post transfer Option 4	2.03%

Review of income streams

We have undertaken a review of the information which you have provided regarding the various income streams, which currently exist within the Community Learning & Leisure Network of the Council, and which would likely transfer to the new charitable ALO.

As we expected, most of the income streams are derived from activities which would be considered either a primary charitable purpose ("primary purpose") or ancillary to a primary purpose activity, both of which are exempt from corporation tax under the charity tax exemption, provided that the income is subsequently applied for charitable purposes.

However, our review highlighted several categories of income, which either would be wholly non-primary purpose in nature (ie non-charitable) or which would contain a mixture of primary purpose and non-primary purpose income.

These are set out below:-

Archives

• KC1940	Genealogy	£5,510
• KC1941	Archive Research Fees	£1,422
• KC6401	Photocopies Sale	£2,063
• KC6500	Guide Books	£22
• KC6501	Other Publications	£10

We understand that the above categories of income relate to specialist services provided by the Archive staff at the Archive Centre. We would consider this to be income arising from a non-primary purpose activity.

Culture

• KC6103	Snack bar sales	£44,389
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This relates to the catering facility at the Highland Folk Museum. The sale of food and drink to visitors to the Museum would be treated as a primary purpose trade, since it is ancillary to the carrying out of a primary purpose (ie the museum activity). However, the catering facility is open to the general public, and sales to members of the general public who are not also visiting the museum would be non-primary purpose. Although the likelihood is that the majority of the catering income will be derived from museum visitors, there will be some element of non-primary purpose use.

•Culture (continued)

• KC6401	Photocopies Sale	£55
• KC6404	Sale of Photographs	£54

The above categories would be non-primary purpose income unless they were educational in nature or related to a museum exhibit/theatre event.

• KC6500	Guide Books	£36,606
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This relates to the sale of books in the Inverness Museum and the Highland Folk Museum. The sale of books which relate to the primary purpose (ie the museum exhibits) would, itself, be a primary purpose activity, but the sale of general unrelated books would be non-primary purpose. We would expect that this category of income would contain a mixture of primary purpose/non-primary purpose income.

• KC6801	Craft Products	£11,912
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This relates to Museum gift shop sales. Shops in museums normally sell a range of goods, some of which are related to a primary purpose (e.g. prints of exhibits) and some which are not (e.g. promotional pens, mugs etc). We would expect that this category of income would contain a mixture of primary purpose/non-primary purpose income.

Leisure & Community

• KC1902	Catering Franchise	£5,293
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This is franchise commission for the Floral Hall café, which is open to the general public, as well as visitors to the Floral Hall Garden attraction. The ALO would not operate the café itself, instead it would receive a franchise commission from the operator, which would be considered as wholly non-primary purpose income in the hands of the charity.

Corporation Tax

Leisure & Community (continued)

- KC1926 Income from Training Courses £73,474

This income relates to training contracts in place with Skills Development Scotland (SDS). The contract is to deliver full Apprenticeship training and certification in Greenkeeping for young Apprentices, who are employed by Golf Clubs throughout Highland and part of Moray. We understand that the Council currently organise and manage the training, with actual delivery of off-the-job training carried out through Elmwood College, who charge the Council separately. Assuming this activity is transferred to the ALO, we would consider this to be non-primary purpose income in the hands of the ALO. The ALO could not be said to be providing the education, which would be primary purpose (the College is doing this). Instead, the ALO is organising and managing the training for a fee.

- KC1935 Telephone Income £485

This would be treated as non-primary purpose income.

- KC1937 Commission £222

This represents commission on the sale of local artwork in the Floral Hall, and would be non-primary purpose income.

- KC6101 Canteen/Refectory Sales £2,981

This is income from the swimming pool café, which is open to general public, and will contain a mixture of primary purpose/non-primary purpose income.

- KC6103 Snack Bar Sales £2,247

This is leisure centre franchise income, which is considered to be non-primary purpose income.

- KC6104 Vending Machines Income £53,942

As vending machines are accessible to the general public as well as customers using the leisure centre, this income will contain a mixture of primary purpose and non-primary purpose income.

Leisure & Community (continued)

- KC6401 Photocopies Sale £1,099

This is likely to be viewed as non-primary purpose income.

- KC6801 Craft Products £1,749

This relates to the sale of local artwork, and would be considered non-primary purpose.

- KC6803 Other Sales Material £21,451

We understand this relates to the sale of plants and fruit/vegetables at the Floral Hall. Sales to customers visiting the Floral Hall Garden attraction could be argued as ancillary to a primary purpose, but if members of the general public, who are perhaps visiting the café also have access to purchase plants/foodstuffs, this element would be viewed as non-primary purpose. We expect that this income category may contain a mixture of primary purpose and non-primary purpose income.

Library Services

- KC1935 Telephone Income £85

This would be treated as non-primary purpose income.

- KC6401 Photocopies Sale £18,655

If this related only to visitors using the library facilities, it could be argued to be ancillary to a primary purpose, but we expect it would be possible for the general public to simply enter the library to pay for the use of photocopier and, as a result, this income may contain a mixture of primary purpose and non-primary purpose income.

- KC6805 Fax Income £1,132

This would be treated as non-primary purpose income.

On the assumption that all of the income streams, which we have reviewed will transfer to the ALO, it is clear that, although the ALO would, in the main, be carrying out primary purpose activities, it would also carry out some activities which would be wholly non-primary purpose and some which would contain a mixture of both primary purpose/non-primary purpose income.

Where a charity itself carries out both primary purpose and non primary purpose activities, its accounting records would need to be capable of tracking the income and expenditure relevant to each category of activity. For example, for a museum catering facility, this would necessitate asking the customer at the point of sale whether they are a visitor to the museum or not, and coding the sale appropriately via the till system. The results of the respective activities would require to be separately disclosed to HMRC, on an annual basis, in the Charity's Corporation Tax Self Assessment return.

There is a small trading exemption for non-primary purpose activities, which is available to charities. However, this exemption only allows for a relatively low level of such activities. This relief would not be available to the ALO where the maximum sales turnover from all such activities will be in excess of the upper limit, which is set at £50,000.

Where the above limit is breached, the ALO would be liable to corporation tax on the profits arising from all its non primary purpose activities, not just those breaching the threshold. It would, therefore, still be necessary for the ALO's accounting records to be capable of tracking the income and expenditure relevant to each category of non primary purpose activity in order to be able to determine whether the £50,000 threshold had been breached.

In any event, from our review of income streams, the level of non-primary purpose income is likely to breach this £50,000 threshold.

Using a trading subsidiary

In order to avoid a loss of funds to the ALO as a consequence of it having to pay corporation tax on profits arising within the charity from non-primary purpose activities, it is common for a charity to establish a wholly owned Subco to undertake any taxable activities, with Gift Aid being used to return profits to the charity.

The Subco can donate its profits to the ALO by way of a Gift Aid payment. As a result, the Subco obtains tax relief on the donation. In addition, the receipt of this donation by the ALO will not be regarded as trading income, but as a donation, and will be exempt from corporation tax, provided that the donation is then used by the ALO for charitable purposes.

In practice, charities which carry on mixed primary purpose/non-primary purpose activities (such as catering facilities) are more likely to carry on the entire activity through a trading subsidiary, in order to avoid the complexities involved in trying to separately track the income categories within the charity itself.

It is important to ensure that the activities carried on by the Subco should, overall, generate a profit. If a subsidiary incurs losses, which in turn requires the charity to invest funds in the subsidiary in order to support its loss making activities, then this can lead to a non-charitable expenditure charge arising in the charity which would crystallise a tax charge for the charity itself.

Option 1 - Grants awarded by Council & Council receives SportScotland funding

Total			
	11/12	12/13	13/14
Output VAT saving	229,166.51	480,900.35	480,900.35
Input tax restriction	69,901.28	148,122.78	148,122.78
Net saving/(Cost)	159,265.24	332,777.57	332,777.57

Culture			
	11/12	12/13	13/14
Output VAT saving	2,234.14	4,619.70	4,619.70
Input Tax restriction	2,966.87	6,262.68	6,262.68
Net saving/(Cost)	-732.73	-1,642.98	-1,642.98

Libraries			
	11/12	12/13	13/14
Output VAT saving	-4,300.20	-9,001.66	-9,001.66
Input Tax restriction	662.95	1,448.64	1,448.64
Net saving/(Cost)	-4,963.15	-10,450.29	-10,450.29

Adult & Youth Learning			
	11/12	12/13	13/14
Output VAT saving	485.48	1,019.53	1,019.53
Input Tax restriction	2,402.54	4,959.04	4,959.04
Net saving/(Cost)	-1,917.06	-3,939.52	-3,939.52

Facilities			
	11/12	12/13	13/14
Output VAT saving	230,723.90	484,214.30	484,214.30
Input Tax restriction	63,699.01	135,096.43	135,096.43
Net saving/(Cost)	167,024.89	349,117.87	349,117.87

Sports			
	11/12	12/13	13/14
Output VAT saving	23.19	48.47	48.47
Input Tax restriction	169.90	355.98	355.98
Net saving/(Cost)	-146.71	-307.51	-307.51

Option 2 – Grants awarded by Council & ALO receives SportScotland funding

Total			
	11/12	12/13	13/14
Output VAT saving	229,166.51	480,900.35	480,900.35
Input tax restriction	70,084.11	148,507.66	148,507.66
Net saving/(Cost)	159,082.40	332,392.68	332,392.68

Culture			
	11/12	12/13	13/14
Output VAT saving	2,234.14	4,619.70	4,619.70
Input Tax restriction	2,966.87	6,262.68	6,262.68
Net saving/(Cost)	-732.73	-1,642.98	-1,642.98

Libraries			
	11/12	12/13	13/14
Output VAT saving	-4,300.20	-9,001.66	-9,001.66
Input Tax restriction	662.95	1,448.64	1,448.64
Net saving/(Cost)	-4,963.15	-10,450.29	-10,450.29

Adult & Youth Learning			
	11/12	12/13	13/14
Output VAT saving	485.48	1,019.53	1,019.53
Input Tax restriction	2,402.54	4,959.04	4,959.04
Net saving/(Cost)	-1,917.06	-3,939.52	-3,939.52

Facilities			
	11/12	12/13	13/14
Output VAT saving	230,723.90	484,214.30	484,214.30
Input Tax restriction	63,699.01	135,096.43	135,096.43
Net saving/(Cost)	167,024.89	349,117.87	349,117.87

Sports			
	11/12	12/13	13/14
Output VAT saving	40888	48.47	48.47
Input Tax restriction	23.19	740.87	740.87
Net saving/(Cost)	-329.55	-692.40	-692.40

Option 3 - Grants awarded by ALO & Council receives SportScotland funding

Total			
	11/12	12/13	13/14
Output VAT saving	229,286.80	481,152.78	481,152.78
Input Tax restriction	65,702.01	138,711.83	138,711.83
Net saving/(Cost)	163,584.79	342,440.95	342,440.95

Culture			
	11/12	12/13	13/14
Output VAT saving	2,234.14	4,619.70	4,619.70
Input Tax restriction	1,719.06	3,572.24	3,572.24
Net saving/(Cost)	515.08	1,047.46	1,047.46

Libraries			
	11/12	12/13	13/14
Output VAT saving	-4,300.20	-9,001.66	-9,001.66
Input Tax restriction	662.95	1,448.89	1,448.89
Net saving/(Cost)	-4,963.15	-10,450.55	-10,450.55

Adult & Youth Learning			
	11/12	12/13	13/14
Output VAT saving	485.48	1,019.53	1,019.53
Input Tax restriction	1,904.99	3,942.62	3,942.62
Net saving/(Cost)	-1,419.51	-2,923.09	-2,923.09

Facilities			
	11/12	12/13	13/14
Output VAT saving	230,844.18	484,466.73	484,466.73
Input Tax restriction	61,204.11	129,748.08	129,748.08
Net saving/(Cost)	169,640.07	354,718.65	354,718.65

Sports			
	11/12	12/13	13/14
Output VAT saving	23.19	48.47	48.47
Input Tax restriction	210.89	0.00	0.00
Net saving/(Cost)	-187.70	48.47	48.47

Option 4 - Grants awarded by ALO & ALO receives SportScotland

Total			
	11/12	12/13	13/14
Output VAT saving	229,286.80	481,152.78	481,152.78
Input Tax restriction	65,843.85	138,711.83	138,711.83
Net saving/(Cost)	163,442.94	342,440.95	342,440.95

Culture			
	11/12	12/13	13/14
Output VAT saving	2,234.14	4,619.70	4,619.70
Input Tax restriction	1,719.06	3,572.24	3,572.24
Net saving/(Cost)	515.08	1,047.46	1,047.46

Libraries			
	11/12	12/13	13/14
Output VAT saving	-4,300.20	-9,001.66	-9,001.66
Input Tax restriction	662.95	1,448.89	1,448.89
Net saving/(Cost)	-4,963.15	-10,450.55	-10,450.55

Adult & Youth Learning			
	11/12	12/13	13/14
Output VAT saving	485.48	1,019.53	1,019.53
Input Tax restriction	1,904.99	3,942.62	3,942.62
Net saving/(Cost)	-1,419.51	-2,923.09	-2,923.09

Facilities			
	11/12	12/13	13/14
Output VAT saving	230,844.18	484,466.73	484,466.73
Input Tax restriction	61,204.11	129,748.08	129,748.08
Net saving/(Cost)	169,640.07	354,718.65	354,718.65

Sports			
	11/12	12/13	13/14
Output VAT saving	23.19	48.47	48.47
Input Tax restriction	352.74	0.00	0.00
Net saving/(Cost)	-329.55	48.47	48.47

Option 1 - Grants awarded by Council & Council receives SportScotland funding

Pre-transfer position			
Service	Description	Taxable input tax	Exempt input tax
10AA	Culture & Leisure	0.00	0.00
10AB	Directorate & Administration	7,387.19	1,161.94
10AC	Area Culture & Leisure Mgrs	8,502.66	5,907.17
10BA	Development Unit	0.00	0.00
10BB	Parks & Open Spaces	13,794.13	7,568.73
10BC	Sports & Leisure Centres	167,368.44	13,709.08
10BD	Village Halls	30,301.09	28,250.24
10BE	Swimming Pool	106,830.62	2,526.69
10CA	Horticultural Training Centre	5,243.59	1,206.46
10CB	Community & Leisure Management	0.00	0.00
10CC	Sports Development	46,188.39	2,151.84
10CD	Heritage	12,976.09	332.69
10CE	Events & Promotions	99,475.73	1,154.41
10CF	Museums	50,276.70	1,876.51
10DA	Tourist Related Activities	14,550.11	10,871.09
10DB	Libraries	134,931.33	4,778.36
10DC	The Arts	89,511.25	1,615.12
10DD	Gaelic Culture	0.00	0.00
10EA	Archives	25,753.50	0.00
	Community Learning	13,618.72	785.49
Total input VAT		826,709.54	83,895.81

Pre transfer partial exemption total	
Exempt input VAT	876,149
Total VAT Reclaimed	36,523,085
Partial Exemption Position	2.40%

Post-transfer position		
Network	ALO Service payment	Taxable input VAT
Adult & Youth	3,736,957.75	747,391.55
Culture	2,047,675.05	409,535.01
Facilities	4,163,719.84	832,743.97
Libraries	3,940,311.95	788,062.39
Sport	1,880,504.35	376,100.87
	Total input VAT	3,153,833.79

Post-transfer partial exemption total	
Exempt input VAT	792,253
Total VAT reclaimed	38,766,313
Partial Exemption position	2.04%

Option 2 - Grants awarded by Council & ALO receives SportScotland funding

Pre-transfer position			
Service	Description	Taxable input tax	Exempt input tax
	Culture & Leisure	0.00	0.00
10AA	Directorate & Administration	7,387.19	1,161.94
10AB	Area Culture & Leisure Mgrs	8,502.66	5,907.17
10AC	Development Unit	0.00	0.00
10BA	Parks & Open Spaces	13,794.13	7,568.73
10BB	Sports & Leisure Centres	167,368.44	13,709.08
10BC	Village Halls	30,301.09	28,250.24
10BD	Swimming Pool	106,830.62	2,526.69
10BE	Horticultural Training Centre	5,243.59	1,206.46
10CA	Community & Leisure Management	0.00	0.00
10CB	Sports Development	46,188.39	2,151.84
10CC	Heritage	12,976.09	332.69
10CD	Events & Promotions	99,475.73	1,154.41
10CE	Museums	50,276.70	1,876.51
10CF	Tourist Related Activities	14,550.11	10,871.09
10DA	Libraries	134,931.33	4,778.36
10DB	The Arts	89,511.25	1,615.12
10DC	Gaelic Culture	0.00	0.00
10DD	Archives	25,753.50	0.00
10EA	Community Learning	13,618.72	785.49
Total input VAT		826,709.54	83,895.81

Pre-transfer partial exemption total	
Exempt input VAT	876,149
Total VAT Reclaimed	36,523,085
Partial Exemption Position	2.40%

Post-transfer position		
Network	ALO Service payment	Taxable input VAT
Adult & Youth	3,736,957.75	747,391.55
Culture	2,047,675.05	409,535.01
Facilities	4,163,719.84	832,743.97
Libraries	3,940,311.95	788,062.39
Sport	897,174.35	179,434.87
Total input VAT		2,957,167.79

Post-transfer partial exemption total	
Exempt input VAT	792,253
Total VAT reclaimed	38,569,647
Partial Exemption position	2.05%

Option 3 - Grants awarded by ALO & Council receives SportScotland funding

Pre-transfer position			
Service	Description	Taxable input tax	Exempt input tax
10AA	Culture & Leisure	0.00	0.00
10AB	Directorate & Administration	7,387.19	1,161.94
10AC	Area Culture & Leisure Mgrs	8,502.66	5,907.17
10BA	Development Unit	0.00	0.00
10BB	Parks & Open Spaces	13,794.13	7,568.73
10BC	Sports & Leisure Centres	167,368.44	13,709.08
10BD	Village Halls	30,301.09	28,250.24
10BE	Swimming Pool	106,830.62	2,526.69
10CA	Horticultural Training Centre	5,243.59	1,206.46
10CB	Community & Leisure Management	0.00	0.00
10CC	Sports Development	46,188.39	2,151.84
10CD	Heritage	12,976.09	332.69
10CE	Events & Promotions	99,475.73	1,154.41
10CF	Museums	50,276.70	1,876.51
10DA	Tourist Related Activities	14,550.11	10,871.09
10DB	Libraries	134,931.33	4,778.36
10DC	The Arts	89,511.25	1,615.12
10DD	Gaelic Culture	0.00	0.00
10EA	Archives	25,753.50	0.00
	Community Learning	13,618.72	785.49
Total input VAT		826,709.54	83,895.81

Pre-transfer partial exemption total	
Exempt input VAT	876,149
Total VAT Reclaimed	36,523,085
Partial Exemption Position	2.40%

Post-transfer position		
Network	ALO Service payment	Taxable input VAT
Adult & Youth	4,436,227.75	887,245.55
Culture	3,794,874.05	758,974.81
Facilities	4,468,037.84	893,607.57
Libraries	3,939,590.91	787,918.18
Sport	1,515,841.24	303,168.25
Total input VAT		3,630,914.36

Post-transfer partial exemption total	
Exempt input VAT	792,253
Total VAT reclaimed	39,243,394
Partial Exemption position	2.02%

Option 4 - Grants awarded by ALO & ALO receives SportScotland

Pre-transfer position			
Service	Description	Taxable input tax	Exempt input tax
	Culture & Leisure	0.00	0.00
10AA	Directorate & Administration	7,387.19	1,161.94
10AB	Area Culture & Leisure Mgrs	8,502.66	5,907.17
10AC	Development Unit	0.00	0.00
10BA	Parks & Open Spaces	13,794.13	7,568.73
10BB	Sports & Leisure Centres	167,368.44	13,709.08
10BC	Village Halls	30,301.09	28,250.24
10BD	Swimming Pool	106,830.62	2,526.69
10BE	Horticultural Training Centre	5,243.59	1,206.46
10CA	Community & Leisure Management	0.00	0.00
10CB	Sports Development	46,188.39	2,151.84
10CC	Heritage	12,976.09	332.69
10CD	Events & Promotions	99,475.73	1,154.41
10CE	Museums	50,276.70	1,876.51
10CF	Tourist Related Activities	14,550.11	10,871.09
10DA	Libraries	134,931.33	4,778.36
10DB	The Arts	89,511.25	1,615.12
10DC	Gaelic Culture	0.00	0.00
10DD	Archives	25,753.50	0.00
10EA	Community Learning	13,618.72	785.49
Total input VAT		826,709.54	83,895.81

Pre-transfer partial exemption total	
Exempt input VAT	876,149
Total VAT Reclaimed	36,523,085
Partial Exemption Position	2.40%

Post-transfer position		
Network	ALO Service payment	Taxable input VAT
Adult & Youth	4,436,227.75	887,245.55
Culture	3,794,874.05	758,974.81
Facilities	4,468,037.84	893,607.57
Libraries	3,939,590.91	787,918.18
Sport	896,804.11	179,360.82
Total input VAT		3,507,106.94

Post-transfer partial exemption total	
Exempt input VAT	792,253
Total VAT reclaimed	39,119,586
Partial Exemption position	2.03%



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