

## FINANCIAL CODE 7

# TAX & VAT MANAGEMENT

### 1. Introduction

1.1 This code sets out the Council's requirements for Tax and VAT Management. It includes: -

- The allocation of responsibility for the taxation procedures of the Council to the Chief Financial Officer,
- The appointment of professional advisors; and,
- The requirement for Executive Directors to consult the Chief Financial Officer on transactions which have tax implications.

1.2 Periodically the Council is inspected by HM Revenue and Customs. These inspections may result in the imposition of penalties for non-compliance with tax law. It is therefore essential that Directors ensure that employees are aware of any relevant taxation matters and that where necessary guidance is obtained from the Chief Financial Officer.

### 2. Responsibilities of the Chief Financial Officer

2.1 The Chief Financial Officer is responsible for the taxation procedures of the Council, ensuring where possible, that tax liabilities and obligations are properly reported and accounted for, avoiding any possible losses and optimising the Council's cash flow.

2.2 In particular the Chief Financial Officer is responsible for ensuring that transactions comply with relevant statutory requirements and authorities. In carrying out such responsibilities the Chief Financial Officer will ensure that: -

- Duties in relation to taxation and tax management are defined and allocated,
- Financial control systems operate effectively, produce the necessary information and minimise the risk of error,
- Appropriate guidance is provided to employees involved in processing tax related transactions,
- Assistance is provided for any investigations undertaken by any Government Agency, and that justification for assessments made resulting from investigations are properly reviewed,
- Arrangements are put in place to monitor the execution of these responsibilities; and,
- Any significant changes to the Council's tax affairs are reported to the Council.

2.3 The Chief Financial Officer may appoint external professional advisers who are specialists in tax matters in order to assist in carrying out tax management responsibilities in accordance with the requirements of Procurement Standing Orders.

2.4 The Chief Financial Officer is responsible for the dissemination of information on tax matters as appropriate. Chief Officers are responsible for implementing guidelines introduced by the Chief Financial Officer regarding any particular aspect of tax.

**Dumfries and Galloway Council  
Finance and Procurement****3. Responsibilities of Chief Officers**

3.1 Chief Officers will ensure that arrangements are in place to properly establish the correct liability, process and accounting for VAT. For major works, service reform and other changes in service delivery, full information must be provided to the Chief Financial Officer at an early stage in the planning process. In response the Chief Financial Officer will provide appropriate VAT advice. This will include the identification of any potential risks, restrictions and/or liability to charge VAT on any identified income or funding. Appropriate mitigating actions will be recommended where required.

3.2 It is therefore very important for all officers to be aware of their role in ensuring the Council's compliance with and adherence to HMRC's VAT regulations.

3.3 The implementation of new initiatives or changes to existing service delivery can have VAT implications.

3.4 The following framework is designed to protect the Council by assisting the Chief Financial Officer to ensure that all VAT related issues arising from capital contracts, major revenue works and changes in working practices are properly taken account of at each stage of the process from asset construction and/or service delivery etc.

- VAT implications can arise from a variety of sources: -
- Capital and revenue projects,
- Joint working arrangements,
- Joint funding arrangements,
- New initiatives,
- Service reform,
- Income generation,
- Changes to actual or intended use of assets; and,
- Changes in working practices.

3.5 It is vitally important that VAT implications are identified and analysed at the earliest possible stage of the development of a project. Most, but not all, projects can be arranged to accommodate the VAT implications at an early stage in the planning process. Failure to take account of the VAT implications may result in projects becoming financially unviable due to VAT being irrecoverable or having to account for VAT on funding received. It is therefore critical to identify and quantify any VAT implications during the planning stage to prevent incorrect expectations or assumptions on the part of officers, Elected Members and outside agencies.

**4. Further Information**

A practice note on VAT has been issued by the Treasury and Capital team within Finance & Procurement. This should be referred to for further information regarding VAT.