



# Finance Act 2012

## 2012 CHAPTER 14

### PART 7

#### VALUE ADDED TAX

#### **198 Supply of goods or services by public bodies**

- (1) VATA 1994 is amended as follows.
- (2) In section 41 (application to the Crown)—
  - (a) omit subsection (2), and
  - (b) in subsection (3)(b) for “a direction under subsection (2) above,” substitute “section 41A,”.
- (3) After that section insert—

#### **“41A Supply of goods or services by public bodies**

- (1) This section applies where goods or services are supplied by a body mentioned in Article 13(1) of the VAT Directive (status of public bodies as taxable persons) in the course of activities or transactions in which it is engaged as a public authority.
- (2) If the supply is in respect of an activity listed in Annex I to the VAT Directive (activities in respect of which public bodies are to be taxable persons), it is to be treated for the purposes of this Act as a supply in the course or furtherance of a business unless it is on such a small scale as to be negligible.
- (3) If the supply is not in respect of such an activity, it is to be treated for the purposes of this Act as a supply in the course or furtherance of a business if (and only if) not charging VAT on the supply would lead to a significant distortion of competition.
- (4) In this section “the VAT Directive” means Council Directive [2006/112/EC](#) on the common system of value added tax.”