

FINANCIAL CONTROL PROCEDURES - VAT

Local town and parish councils, including BSETC, can claim back (recover) VAT paid in respect of non-business activities and on VAT exempt business activities (up to a certain amount). VAT Notice 749 "Local authorities and similar bodies" contains more information.

The refund claim is done using Form VAT 126 each quarter immediately after the monthly bank reconciliation. The refund is paid direct to BSETC's current account. BSETC is not registered for VAT.

Internal Controls

When the payment is entered into the Cash Book, the VAT is entered separately. The VAT claim report is generated automatically by the 'Omega' software and the RFO must ensure that VAT is identified appropriately for reclaim (with particular attention being paid to those transactions which are, exceptionally large or unusual). Manual adjustments can be made to the VAT report if necessary. Copies of the previous claims for reference purposes are found in the red folder in the 'Vickers cabinet' cupboard, currently located in the Town Council admin office.

Advice must be sought from HMRC before making a claim where considered necessary by contacting the Written Enquiries Team, currently at HM Revenue & Customs, 12th Floor, Alexander House, Victoria Avenue, Southend-on-Sea, Essex SS99 1BD.

Councillor Internal Audit and independent Internal Audit require randomly selected transactions to be examined. Those that are large or unusual are to be checked to ensure that VAT is identified appropriately for reclaim.

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