

**Draft of Guidance for Park and Ride
February 2017**

Current page [VATGPB8810](#)

Introduction

The VAT treatment of park and ride schemes run by local authorities will be dependent upon the services provided and whether a consideration is charged. Because these schemes can differ, Officers should establish the full facts about the scheme in question before providing a decision.

Description of Park and Ride

Many local authorities offer park and ride schemes. These schemes are designed to reduce levels of congestion and pollution in town centres by encouraging drivers to park out of town and continue their journey using public transport. Most park and ride schemes use buses but the public transport element may be a bus, mini-bus, tram or train. For convenience we refer to bus in this guidance.

This guidance refers to the situation where any separate supply of public transport qualifies for zero rating. However, not every form of transport qualifies for this relief and you will need to satisfy yourself that the transport in question does qualify.

Local authorities may operate entire schemes or work in partnership with private sector to provide the facilities.

Interim measures.

Between 2009 and 2017 interim measures applied to park and ride schemes. This guidance is available at [the National Archive webpage](#). This new guidance below applies from xx.xx.xxxxx.

Scenarios

The most common scenarios are listed below.

1. Park and Ride provided without charge.

If there is no consideration payable either for the right to park or the right to use the associated public transport, then the supply is outside the scope of VAT. VAT incurred by the local authority on goods and services purchased in connection with the park and ride scheme can, in these circumstances, be recovered under section 33 of the VAT Act 1994.

2. Parking is free but there is a charge to use the public transport.

If the car park is available to anyone without charge but people must pay a fare to use the bus, it is a consideration for a zero-rated supply of public transport. This applies regardless of how the service is advertised or where payment is taken. Consequently, the local authority supply of car parking is outside the scope of VAT.

A local authority may expect the bus ticket to be used to effect exit from the car park to prevent unauthorised use but this on its own would not mean the consideration is for car parking.

3. The public transport is free but people must pay for the car parking

In this scenario there is a standard-rated supply of car parking. None of the consideration can be attributed to the use of the public transport.

4. Separate charges for parking and for the bus.

In this scenario there are two separate supplies: a standard-rated supply of car parking, and a zero-rated one of public transport.

5. One charge for both supplies.

There has been some debate over whether a single charge for both transport and parking services is consideration for two supplies or for one supply with one element being ancillary to the other. Therefore the first thing to determine is the link between the two supplies.

Following the judgment in the case of The Purple Parking (add reference) HMRC takes the view there is a single standard-rated supply because the public transport is ancillary to the car parking.

If a local authority local authority argues the opposite you should ask for full details and then consider the position using the guidance in VATSC80000”.

Arguments not accepted by HMRC

Special legal regime - HMRC does not accept that park and ride schemes are provided under a special legal regime, and is consequently a non-business activity with VAT recovery. If a local authority argues it is operating under a special legal regime then HMRC would need to see the legislation to support this. Even if there were a special legal regime, it is unlikely to be non-business under section 41A of the VAT Act, because it would be in competition with other car parking. (See the judgment in the Isle of Wight.)

Subsidy – Some local authorities have argued they subsidise park and ride schemes and consequently this is a non-business activity. HMRC disagrees. Where there is a direct link between the consideration and the service received by the car driver and passengers a supply has been made for VAT purposes, even if the activity is not profit making.

Annex A – Current text on page 8810

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In 2007 HMRC issued an aide memoire which attempted to set out the liability of the different types of park and ride schemes using the principals of single and multiple supply. But this could not accommodate all the variety of park and ride arrangements in place.

HMRC is now conducting a comprehensive review of the VAT treatment with a view to producing fuller and clearer guidance on the issue. While the review is in progress a set of interim rules, which apply to park and ride schemes operated wholly by local authorities, were agreed with CIPFA in January 2009.

Application of Interim Treatment of park and ride schemes which are operated solely by local authorities

The interim treatment can be applied to park and ride charges where:

- a local authority supplies both the parking and the transport
- a single payment is made covering both of these supply elements (irrespective of where payment physically takes place), and
- payment entitles the driver to both use the parking facilities and obtain transport for no further consideration.

In cases where charges are treated as being wholly standard rated

If a local authority is currently treating its charges as being wholly standard-rated in reliance on HMRC guidance, provided that the criteria set out above are satisfied it may opt to apportion the charges between the standard-rated car parking and zero-rated public transport. If a local authority opts to do this, it must retain evidence that:

- demonstrates why it has concluded the charges can be apportioned, and
- demonstrates why it considers the apportionment applied achieves a proper attribution of values between the two supplies.

In cases where charges are currently being treated as being wholly zero rated

If a local authority is currently treating the charges as being wholly zero-rated it should consider whether or not apportionment is applicable. If the local authority decides not to make any apportionment it should retain evidence demonstrating why it does not consider apportionment to

be appropriate. If it opts to apportion it should retain evidence demonstrating why it considers the apportionment achieves a proper attribution of values between the two supplies.

Interim rules in cases where charges are currently subject to apportionment

Where a local authority is already apportioning its charges, that apportionment should remain undisturbed until the review has been concluded and revised guidance issued.

Action to be taken at the end of the interim period

When the park and ride review has been completed HMRC expects that all local authorities will compare their treatment of their park and ride charges with the information set out in the new guidance. Where there is a difference in VAT treatment HMRC will expect local authorities to apply the revised guidance from the date of its publication.

Disputed treatment

In the event that HMRC does not agree with any local authority's VAT treatment of park and ride charges it will not take any retrospective action but, where applicable, will issue assessments from the date of the publication of the new guidance.