

CLARIFICATION ON VAT CHARGES FOR COMMERCIAL RENT ARREARS RECOVERY

In the light of the confusion over VAT chargeable on enforcement fees after the new Tribunals, Courts and Enforcement Act 2007, Dukes Bailiffs would like to clarify the position of who pays this tax.

As it stands, VAT is chargeable on commercial rent enforcement as it is a business service and therefore 20% VAT applies. Although the cost of enforcement is borne by the tenant/debtor, the VAT is payable by the organisation or individual that has requested the service.

Dukes Bailiffs, and any other enforcement company, therefore have to charge 20% VAT on the total amount of enforcement fees paid by the debtor. The HMRC have now ruled that this VAT must be charged to the Landlord or Managing Agent that has instructed them. This VAT may be recoverable by VAT registered businesses.

Managing Agents should make their Landlords aware of this if they are instructing on behalf of their clients and intend to pass the VAT payment back to them. The same rules apply for any disbursements such as removal trucks, storage and auction fees, with the cost of the service being borne by the debtor, but the VAT charged to the Landlord or instructing agent.

The statutory fees for enforcement currently stand at:

- Compliance Stage Fee £75 (VAT £15)
- Enforcement Stage Fee £235 (VAT £47)
- Removal/Sale Stage Fee £110 (VAT £22)
- For debts over £1,500, 7.5% Percentage Increase is added to the fees at Enforcement **and** the Removal/Sale stage
 - This 7.5% applies only to the portion of the debt that exceeds £1,500
- Any Disbursements defined as Auctioneers fees for removal, storage and selling goods (VAT 20%)

If you have any questions concerning VAT charges on fees, please call our Enforcement team on 01785 825 519